

Upbound Group, Inc.(Q4 2024 Earnings)

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Corporate Speakers:

- Jeff Chesnut; Upbound Group, Inc.; Head of Investor Relations
- Mitchell Fadel; Upbound Group, Inc.; Chief Executive Officer
- Fahmi Karam; Upbound Group, Inc.; Chief Financial Officer

Participants:

- Robert Griffin; Raymond James; Analyst
- Vincent Caintic; BTIG; Analyst
- Hoang Nguyen; TD Cowen; Analyst
- Kyle Joseph; Stephens; Analyst
- John Hecht; Jefferies; Analyst
- John Rowan; Janney Montgomery Scott; Analyst
- Anthony Chukumba; Loop Capital Markets; Analyst
- William Reuter; Bank of America; Analyst

PRESENTATION

Operator^ Hello. And welcome to the Upbound Group, Inc. Fourth Quarter 2024 Earnings Conference Call. (Operator Instructions) I would now like to turn the conference over to Jeff Chesnut. You may begin.

Jeff Chesnut^ Good morning. And thank you all for joining us to discuss the company's performance for the fourth quarter and full year of 2024. We issued our earnings release this morning before the market opened.

And the release and all related materials including a link to the live webcast, are available on our website at investor.upbound.com. On the call today from Upbound Group, we have Mitch Fadel, our CEO, and Fahmi Karam, our CFO.

As a reminder, some of the statements provided on this call are forward-looking and are subject to factors that could cause actual results to differ materially and adversely from our expectations.

These factors are described in our earnings release as well as in the company's SEC filings. Upbound Group undertakes no obligation to publicly update or revise any forward-looking statements except as required by law. This call will also include references to non-GAAP financial measures.

Please refer to today's earnings release, which can be found on our website, for a description of the non-GAAP financial measures and the reconciliations to the most comparable GAAP financial measures.

Finally, Upbound Group is not responsible for and does not edit or guarantee the accuracy of our earnings teleconference transcripts provided by third parties. Please refer to our website for the only authorized webcast. And with that, I'll turn the call over to Mitch.

Mitchell Fadel^ Thank you, Jeff. And good morning, everyone. Before I begin, I'd like to take a moment to address the announcement we made this morning about my decision to retire as CEO and step down from the Board as well as the appointment of Fahmi Karam as Upbound's next CEO effective June first of this year.

This transition follows a deliberate and thoughtful succession planning process in which Fahmi emerged as the Board's unanimous choice for the role. Fahmi joined the company as an EVP and Chief Financial Officer 2.5 years ago as an experienced leader with an outstanding track record of strategic and financial execution as well as deep experience with subprime consumers.

Since then, he's become an instrumental force behind our success including driving the Brigit acquisition, assisting in integrating Acima and achieving its strong growth. Over my 40 years at the company, this industry has changed immensely.

But we've remained at the forefront every step of the way. From brick-and-mortar consolidation in the '90s and 2000s, establishing the first national third-party LTO business in 2005, to becoming a leader in the virtual channel today.

We remained a leader thanks to our innovative spirit and our relentless commitment to our mission to elevate financial opportunity for all. Thanks to the stellar execution of our team, we've closed the two transformative acquisitions of Acima and Brigit and firmly established ourselves as a technology-driven growth company with a differentiated and expanding platform of financial solutions for underserved consumers.

With Upbound in a position of incredible strength, now is the right time to make this change, and Fahmi is the right person to lead the company in this next chapter. I look forward to continuing to work closely with him over the coming months to ensure a smooth transition.

With that, let's begin with a review of key highlights from 2024 as well as a discussion of our priorities for 2025, then Fahmi will share a more detailed review of our financial results and our outlook. After that, we'll take some questions. Let's begin with a brief look at our recent achievements, which collectively represented another significant step forward for the company in our mission to elevate financial opportunity for all and to achieve our strategic growth objectives.

At Acima, the momentum we generated in the second half of 2023 continued across 2024 as we welcomed nearly 1 million new customers to our network by onboarding thousands of new merchants, reflecting the success of Acima's industry-leading sales force,

merchant productivity gains, our growing direct-to-consumer marketplace, and the trade-down impact stemming from a tighter credit environment.

Acima was able to capture share throughout the year, highlighted by numerous regional wins. And I'm pleased to announce already in the first quarter, two more top 50 furniture merchants have elected to move to Acima as their preferred partner.

Speaking of merchant growth, we've achieved all-time highs for active locations, which increased approximately 10% year-over-year. Our large and diverse merchant roster also limits concentration risk.

In fact, Acima's top 10 retailers represent approximately 30% of the GMV. All of these factors and our commitment to top-tier service for our consumers and our merchants helped Acima deliver topline growth of over 17% for the year, with revenue ending at approximately \$2.3 billion.

And even while serving a record number of consumers, the Acima team completed the conversion of the ANOW stores into Acima's platform, established a field customer service network in collaboration with Rent-A-Center, and launched the lease ability engine for the Acima marketplace, which guides shoppers to lease eligible durable goods on unintegrated e-commerce sites with a broad array of merchandise.

We believe these efforts will support and extend Acima's growth into 2025 and beyond while also prudently maintaining our stable consumer risk file. The Rent-A-Center team focused on elevating the customer experience in 2024 while concurrently managing its operating expenses to deliver stable EBITDA and cash flow in a challenging environment.

The successful rollout of our new point-of-sale system called RACPAD resulted in a smoother and more efficient customer journey, whether in-store or online, by making our coworkers more efficient and reducing manual components of their day-to-day responsibilities. Behind the scenes, the team also maintained its disciplined approach to expense management, reducing labor expense as a percentage of revenue while improving attrition rates.

Our business has delivered these results during a period in which economic and regulatory uncertainty were the norms.

Overall, it really emphasized the durability and resilience of the business model to drive profitable outcomes across economic environments. When macroeconomic conditions are more cautious, we can tighten at one end while welcoming higher-income consumers into the top of the funnel.

This helps us manage lease charge-offs while protecting our stable base of volume. And when conditions are more constructive for all consumers, we can accommodate more of

them across all income levels, which helps us drive additional topline growth with margin expansion and losses within our long-term targets.

We're excited about the opportunities ahead of us. And 2025 brings the addition of Brigit, a business with its own impressive growth profile, plus the ability to amplify the growth of Rent-A-Center and Acima through its current lineup of products and capabilities.

I'll remind you our Brigit colleagues officially joined Upbound when the acquisition closed on January 31.

And as we shared in mid-December when we announced the deal, Brigit brings a host of new digital products that will complement what we already offer our consumers. Their liquidity solutions through earned wage access, credit building programs and financial literacy tools will help us improve our customers' financial health while engaging with them more frequently compared to only when they need a big ticket durable good.

One of the reasons Upbound was attracted to Brigit is our customer demographic overlap is so large, yet the actual customer overlap is so small.

We're incredibly excited for that opportunity to introduce our millions of customers to the Brigit ecosystem while benefiting from the reverse synergies of leveraging Brigit's capabilities to enhance our underwriting and customer acquisition strategies. Across 2025, we look forward to seeing Brigit continue to grow and Rent-A-Center and Acima executing their operating plans while testing collaboration opportunities across our brands to accelerate our growth profile.

In fact, by the end of this year, we're expecting about two-thirds of adjusted EBITDA before corporate expenses will come from our tech-enabled channels including Acima, Brigit and Rent-A-Center.com, and we expect that share to increase in the coming years.

Overall, we see the business continuing to shift to a digital-first platform to further align with consumers with Acima and Brigit leading the way with their virtual and mobile solutions and Rent-A-Center continuing to evolve to offer its customers a frictionless omnichannel experience, whether in-store or online.

Now before moving on to our 2025 priorities, let's go to Slide 4 and recap our consolidated financial results for Q4. Fourth quarter revenue of nearly \$1.1 billion was a 6% increase from a year ago period, mainly driven by strength at Acima. Upbound delivered \$123 million of adjusted EBITDA, which was a lift of over 14% year-over-year and adjusted EBITDA margins of 11.4%, which was up 80 basis points from last year.

Non-GAAP diluted EPS was \$1.05, which was nearly 30% higher than the year ago quarter. Each of these figures are within or above the implied midpoint of guidance we provided on our last call. And in terms of consolidated lease charge-offs, we finished at 7.3% for the quarter, which was 20 basis points better relative to last year's fourth quarter

or 2023's fourth quarter where the LCO rate was 7.5%. Having said that, let's move to the full year results on Slide 5.

For the full year, our revenue grew 8.2% to over \$4.3 billion, representing the second highest on record for Upbound behind fiscal year 2021, which of course benefited from stimulus and the pandemic-related pull forward in the furniture sector.

As Fahmi will discuss though, we expect to beat 2021's record with our topline performance this year. Adjusted EBITDA for the year was over \$473 million, which was up 3.8% from the prior year.

In the segment breakdown, Fahmi will discuss the drivers for Rent-A-Center last year and the tactical levers we'll pull at Acima in 2025 to see more flow-through through from its topline growth. Consolidated lease charge-offs for the year totaled 7.3%, which was the same rate as I just mentioned for the fourth quarter, up slightly from fiscal year 2023, which was 7.1%.

Our non-GAAP diluted EPS was \$3.83 compared to \$3.55 in 2023, an 8% improvement and in line with our guidance last quarter and in line with the framework for growth that we introduced at our Investor Day in 2023.

Overall, I'm really pleased with the strong performance that our team delivered in 2024. The Rent-A-Center segment successfully navigated a number of challenges across the year between the uncertain environment for Rent-A-Center's core consumer, pressure on demand and payment behavior as inflation continued to take a toll, and an evolving competitive landscape. Despite those hurdles, the entire Rent-A-Center team stayed focused and grew adjusted EBITDA by 5.4%, while simultaneously investing to advance the segment's digital capabilities going forward.

At Acima, we introduced more merchants and more consumers to our virtual LTO platform, which enabled the segment to print its fourth consecutive quarter of double-digit topline growth. Acima's revenue grew over 17% in 2024, which is really impressive when it comes off a base of nearly \$2 billion in 2023.

A portion of that growth came from trade down that we saw across the year, which pressured Acima's EBITDA margins by more than 200 basis points in the first three quarters of the year when compared to the prior year.

But that gap narrowed pretty significantly to 90 basis points in Q4. And we expect our 2025 margin profile to improve over 2024 to be within our low to mid-teens target. And that's a good segue into our priorities for 2025, so let's move to Slide 6.

On Slide 6, let's discuss the strategic priorities that will guide our efforts this year. Acima's strategic imperatives for 2025 are organized around three key pillars. Our merchants, our customers, and our margins.

For our merchants, we'll continue to expand the core LTO offering across our key verticals, furniture, wheel and tire, jewelry and electronics. That effort will be deployed across two vectors, which are adding new merchants to our platform and driving more leases per merchant through compelling offers and attentive customer service. The focus on merchant growth and satisfaction has been a hallmark of Acima since its founding, and it will be a key part of our growth strategy going forward.

And this year, we're amplifying our commitment to our customers. Similar to the importance of increasing productivity with our merchants, it's equally, if not more important, to increase our repeat business with our first-time consumers.

We're removing friction points for our familiar customers and making upgrades to our Acima marketplace so our shoppers can find a vast assortment of leasable durable goods. Just last month, we added Walmart, Amazon, and Target as new unintegrated retail options for our consumers. Pretty impressive list there.

We'll also test and improved virtual lease card so that our customers have the freedom and flexibility to shop at any online and physical location for the leasable products they need in that moment.

With this new product, our customers are not limited to the roster of retailers that are our active partners, though that lineup is really robust as you know with tens of thousands of locations. This technology offers them access to Acima at their fingertips at most checkout counters just by using the app.

Whenever and wherever our customers are shopping for durable goods, Acima will be ready to meet their needs and give them confidence to take home the products they want with the flexibility of our lease-to-own solutions. Acima will complement that GMV growth with a separate yet equally important commitment to customer lifetime value, product profitability, and prudent expense management.

The trade down we've seen in the second half of 2024 helped drive a portion of the double-digit GMV and topline growth, but those customers are electing the earliest purchase option more often than our traditional customers. This development does have several positive implications including the ability for Acima to acquire new and repeat customers for lower cost and to grow the business at a lower loss profile.

Acima now has a new sizable cohort of customers who understand and appreciate the flexibility and value offered by the lease-to-own transaction. The Acima folks and our team will work to capitalize on these new relationships by guiding them back to our merchants through our marketplace for subsequent leases and by introducing them to the virtual lease card that I just mentioned.

To supplement that work, the Acima team will feature to its customers a robust lineup of leasable products, will remain disciplined in pricing and underwriting with a hyper focus

on maintaining an appropriate expense structure that produces operating leverage as we continue to grow.

Our plan for 2025 calls for a step-up in those margins, and Fahmi will cover that in a little more detail here in a bit.

Shifting over to Rent-A-Center, unlike Acima, Rent-A-Center does not directly benefit from trade down in a retailer's checkout waterfall, and is not expanding its overall footprint to new locations. As we tightened underwriting in the second half of the year in response to performance indicators, that put pressure on the portfolio value.

Open lease count and lease portfolio value on a same-store basis are expected to be slightly lower across the first part of the year as the team monitors signs of consumer confidence and performance improvements.

In addition to our disciplined underwriting, the recent liquidation sales across certain former competitors have also absorbed a portion of holiday demand for durable goods. We believe that most of those liquidation events are completed and should not impact us moving into 2025.

Over our years in the business, our Rent-A-Center team has handled shifting economic cycles and customer performance metrics before and we'll do what we always do, which is adapt to the needs of our market and our consumers and shift our approach. The pandemic prompted us to strengthen our online channel, and our strategy is to continue to focus on web traffic in response to consumer shopping habits.

We're focused on continuing to grow the online portion of the RAC business by investing in our e-commerce capabilities to streamline the fixed cost base and make Rent-A-Center more nimble across different cycles. Let me give you an example. Think about the millions of customers that visit us monthly on [rentacenter.com](https://www.rentacenter.com).

Our focus is to convert more of those visitors into customers, and we're doing that by streamlining and improving the website experience, the checkout process, and the communication with the store. Working with Google, we're eliminating friction points on the customer journey and elevating the shopping experience through greater personalization and on-time offers to the right customers.

This includes AI-enabled search functionality to feature the durable goods that are the best fit for that shopper sourced from over 1,000 products on [reentacenter.com](https://www.rentacenter.com). And as our web channel grows, we're evolving our customer identity validation and underwriting tools as well to ensure responsible risk-adjusted outcomes no matter the customer acquisition channel.

The Rent-A-Center team is also deploying an upgraded platform for pricing and promotions, which can deliver unique offers to specific customers for individual products. This next level targeting will improve personalized, more relevant, and

actionable communications with our consumers while also helping the business manage its inventory based on real-time metrics like rental status, age, and remaining value of the product. Pretty exciting stuff on the technology side at Rent-A-Center.

Now moving to Brigit, we previewed its priorities for 2025 when we announced the deal mid-December, and those goals haven't changed. Brigit's product lineup, which I highlighted earlier, offers our shared targeted consumer a value proposition that really resonates in this economic climate, but also meets a critical market need regardless of economic conditions.

The Brigit leadership team will look to extend their growth curve in 2025 by introducing those products to new consumers including consumers who have interacted with Acima and Rent-A-Center. Brigit's plan for this year also includes testing and learning of new digital products and services in the financial health space.

We'll have more fulsome updates on those initiatives as we move across the year. And as a reminder, Brigit's co-founders, Zuben Mathews and Hamel Kothari, will continue to lead the team's efforts just as they have since the company's inception. And with such strong leadership across all three of our major segments, I'm very confident we'll be able to achieve the goals I've outlined here and that our combined business will create meaningful value for our customers and for our stakeholders in 2025. Of course, all of these goals are a team effort.

I feel so privileged to work with what I know is the best team in our industry. And each day, our colleagues and coworkers across North America take immense pride in helping our customers lead better lives with our innovative and flexible financial solutions. And I'd like to thank them for their passion and their dedication to the Upbound business and to the financially underserved community. And with that, I'll hand it over to Fahmi.

Fahmi Karam^ Thank you, Mitch. And good morning, everyone. I'd like to start by expressing my gratitude to the Board for their confidence in me and for giving me the honor to serve as Upbound's next CEO.

I'd also like to thank Mitch for his incredible mentorship over the past 2.5 years and for his invaluable contribution and commitment to Upbound. Thanks to Mitch's leadership, our company has continued to evolve with our consumers and achieved sustained profitable growth, strong cash flow generation, and driven value for our shareholders. Over the past two years, we have made incredible progress in executing our growth strategy.

Our performance has positioned us as a differentiated leader in delivering technology-driven financial solutions with room to profitably grow our platform with new products and services. This is an exciting time for Upbound. Our business is growing, and we have the right strategy and team in place.

As CEO, together with our incredibly talented and dedicated team across the company, we will build upon our strong foundation and accelerate our core mission to expand financial inclusion.

I look forward to working closely with Mitch over the next few months to ensure a smooth transition. Let's now turn to a review of the segment results and then discuss our outlook for fiscal 2025, after which we will take some questions.

Acima recorded Q4 GMV growth of 15.3% year-over-year, above our expectations and especially impressive coming off 19% growth in the same quarter of 2023, resulting in over 34% GMV growth on a stacked 2-year basis. GMV this quarter was the highest it's been since we added Acima four years ago, and it was driven by the highest number of applications in the quarter, which were up 19% year-over-year.

Similar to the third quarter, the growth was approximately a 70/30 split between new merchants and higher productivity from our existing merchant relationships. And with Acima sales force registering hundreds of new merchant sign-ups each month, we've achieved all-time highs for total locations and active locations.

In addition to our merchant diversification that Mitch mentioned, our largest product category, furniture, only represented approximately 43% of rental revenue in the fourth quarter. The combination of adding new locations plus trade down resulted in Acima transacting with nearly 1 million new customers in 2024, while our Acima direct-to-consumer marketplace grew nearly 60% from the fourth quarter of 2023. Acima revenues grew 14.4% year-over-year, which was the fourth consecutive quarter of double-digit growth and adjusted EBITDA was up nearly 8% from a year ago.

EBITDA margins were down 90 basis points from Q4 of 2023, however we were up 60 basis points sequentially. As we discussed on our last call trade down has impacted near-term margins at Acima, but it offers two important benefits.

First, it introduces new customers to Acima and drives repeat business for us at a low cost of acquisition as more and more consumers understand the benefits of the LTO transaction.

It also helps us balance the risk profile of our consumer base, which allows us to lower lease charge-offs. Our loss rate of 9% for the fourth quarter was down 90 basis points year-over-year and 20 basis points sequentially.

Let's move to the Rent-A-Center results starting on Page 8. Rent-A-Center's results included the impact of approximately 110 stores that were franchised or consolidated, and to a more limited extent, the impact of Hurricanes Helene and Milton, which hit the Southeastern U.S. early in the quarter. Due to the footprint optimization effort, Rent-A-Center finished the quarter with 111 locations fewer than year-end 2023.

Same-store sales were relatively flat in the fourth quarter and the percentage of revenue from the web channel increased approximately 70 basis points in the quarter compared to the fourth quarter of 2023.

In terms of product category performance, furniture and appliances represent almost 70% of the product mix with some softness in demand for consumer electronics relative to the year ago period. Rent-A-Center's revenue was down approximately \$15 million year-over-year, mostly driven by the franchising sale and the lower store count.

However, adjusted EBITDA was up over \$8 million, in part due to the reduction in operating expenses including labor and occupancy expenses, and the benefit from the disposition of older fleet inventory.

In addition to these fleet savings that will reverse next year with new higher-priced vehicles coming online, the quarter also benefited from expenses related to workers' comp and other store level initiatives that are not expected to recur in 2025. Rent-A-Center's loss rate in the quarter finished at 5%, which was up 80 basis points from 2023, but as forecasted, relatively flat sequentially.

As Mitch mentioned earlier, we took prudent actions in the latter part of the third quarter to protect our portfolio and respond to pressure on early performance indicators.

As conditions change, our decisioning will adjust, and we'll be ready to responsibly support our consumers' needs across the year if the environment improves. Let's cover our liquidity and capital allocation policies on Slide 9.

Our business has a proven and long track record of delivering strong adjusted EBITDA to free cash flow conversion year after year including generating nearly \$150 million of free cash flow in 2023.

In 2024, our higher earnings and accelerating growth at Acima meant higher cash tax payments and a ramp-up in net working capital, resulting in free cash flow of approximately \$50 million in 2024. Even as the earnings and associated tax burden increases in 2025, our net working capital investment should moderate, delivering free cash flow more aligned to historical levels.

At year-end, our liquidity was \$489 million between our cash on hand and revolver availability. And as planned, we leveraged a portion of that liquidity in January to address the upfront consideration for the Brigit acquisition.

As we've said in the past, our capital allocation priorities are to reinvest in the business, support the dividend, de-lever, pursue strategic M&A, and execute opportunistic share buybacks.

In 2024, our investments in the business included approximately \$56 million of CapEx, of which about half supported Rent-A-Center's customer, store, and digital

transformation initiatives. And even with the change in Upbound's near-term ABL availability post the Brigit acquisition, the company's resources were more than sufficient to confidently raise the dividend by over 5% and maintain our strong dividend yield.

As for leverage, our net leverage ratio was approximately 2.7x at year-end and moved to about 3x when the Brigit deal closed.

With higher free cash flow and EBITDA growth expected in 2025 and a consistent focus on deleveraging, we're reaffirming our commitment to achieving a leverage ratio at or under 2x. The speed of reaching 2x will largely depend on Acima's growth as we maintain discipline in underwriting and expense management to support margins.

Post the Brigit acquisition, we do not currently have any near-term plans for M&A, but our capital structure is flexible and we'll be ready if the right combination of value and strategic fit arises. Let's shift over to our financial outlook. The near to midterm horizon will be characterized by shifting domestic policies, realignment of traditional geopolitical relationships, uneven macro factors, and disruptive advancements like generative AI.

And while these new variables may emerge, this outlook assumes a stable backdrop consistent with current conditions with a tight credit environment, maintaining current levels of trade down, and pressure on durable goods demand, especially in furniture, that's still recovering, and we expect to remain under pressure in 2025, albeit a little less than in 2024.

At Acima, we expect continued growth and opportunity with GMV and revenue both up high single digits to low double digits. Adjusted EBITDA margins should improve from the prior year with movement towards the mid-teens area.

At Rent-A-Center, we expect revenue to be down in the low single-digit range due to the sale and consolidation of approximately 110 stores that I mentioned earlier.

We expect adjusted EBITDA margins to be in the mid-teens area, decreasing year-over-year due to higher operating expenses as a percentage of revenue.

2024 benefited from several expense initiatives throughout the year, some of which will not occur again in 2025, especially in the second half of the year, resulting in a normalization of the ratio of operating expenses less losses to revenue.

The Rent-A-Center leadership team will be working across the year to accelerate the pace of the digital impacts to realize more operating leverage in the business and create further margin-enhancing opportunities going forward.

For Brigit, we're reiterating our guidance from December, which is revenue in the \$215 million to \$230 million range and adjusted EBITDA in the \$25 million to \$30 million range. Due to closing on January 31, we'll pick up 11/12 of that performance in our consolidated results for 2025.

Our integration plan for Brigit is intentionally light touch, and we are aligned with strong incentives to collaborate for enterprise-wide benefits.

We plan to focus on continued R&D initiatives, marketing efforts to increase paying subscribers, and increasing retention rates, all targeted to achieving a step change in performance for 2026.

At the Upbound level, our corporate costs should be flat on a dollar basis to 2024, and we're modeling one interest rate reduction in September.

We expect the tax rate to be consistent with 2024 at approximately 26% and steady across the quarters with an average diluted share count for the year of approximately 58.9 million shares, which includes approximately 2.7 million shares related to the Brigit acquisition.

Taken together, our outlook for 2025 includes a revenue range of \$4.5 billion to \$4.75 billion, an adjusted EBITDA range of \$500 million to \$540 million, fully diluted non-GAAP earnings per share of \$3.90 to \$4.40, and free cash flow ranging from \$150 million to \$200 million.

We're also pleased to share our preliminary thoughts on the first quarter, which is off to a busy start as each of our segments navigate seasonal and macro factors including the start of tax season and extreme weather in some key geographies.

Based on what we've seen to this point, we expect consolidated revenue to be up mid-single digits year-over-year with continued momentum at Acima and the addition of Brigit offsetting mid-single-digit step back at Rent-A-Center for the reasons we outlined earlier.

Our lease charge-off metrics are stable to improving, demonstrating that our proactive risk management strategies continue to be effective. Adjusted EBITDA margins on a consolidated basis are expected to be up slightly with the pressure on the Rent-A-Center's margins being offset by margin improvements at Acima plus Brigit's contribution. After accounting for the Brigit-related adjustments to interest expense and share count, we expect non-GAAP EPS to range from \$0.90 to \$1.00 compared to \$0.79 a year ago.

Note that Brigit's contribution in the first quarter will include February and March only and that Brigit's cash advance losses are not included in our lease charge-off metric, which measures performance of lease transactions.

At the segment level, Rent-A-Center losses for the first quarter should be relatively flat to the period a year ago and a slight improvement from the fourth quarter. EBITDA margins are expected to be in the mid-teens and below the prior year. Acima losses should be in the 9% area, improving from the 9.6% in the first quarter of 2024. Acima EBITDA

margins are expected to improve year-over-year and be seasonally low compared to our overall annual target of low to mid-teens range.

As we wrap up on Slide 11, I'd like to emphasize a couple of the points that Mitch mentioned earlier. In 2024, we made substantial progress on our key strategic priorities.

For our customers, we've always supported them with the accessibility and flexibility of the lease-to-own model. And now with Brigit, we've added digital financial health products and capabilities. Brigit's EWA credit building tools will help our customers improve their financial situation while simultaneously helping us become more relevant more often when our consumers need us the most.

Our consumers' needs and expectations are always evolving, and they count on us to help them lead better financial lives. We'll continue to bring them relevant solutions to reinforce our relationship and our commitment to the underserved consumer.

For our stakeholders, we remain committed to creating long-term sustainable value by building a strong foundation, allocating capital thoughtfully, and growing responsibly.

We delivered on those goals across the year as we extended and repriced our debt stack, raised our dividend, and grew revenue, EBITDA and EPS while managing risk in a volatile environment.

We look forward to delivering on our goals again in 2025 and continuing the strong momentum we've built across our brands. Thank you for your time this morning. Operator, you may now open the line for questions.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from the line of Bobby Griffin with Raymond James.

Robert Griffin^ Mitch, congrats on the retirement. It's been great working with you over the years. I've learned a lot. And Fahmi, congrats on the new role.

I guess first I wanted to start at maybe a high level. And can you talk a little bit about your view of your core customer, where they sit today versus a couple of months ago? Obviously the low-end consumer has been under pressure.

It looked like it stabilized a little, and then we kind of saw some commentary out of you guys as well as one of your peers of some tightening in the fourth quarter and maybe even some in '25. Just how do you view the consumer now heading into '25, kind of how you're approaching managing that risk, and any detail there to help us think about what's going on from the core business customer?

Mitchell Fadel^ Sure, Bobby. This is Mitch. I'll start and then Fahmi can weigh in. A little different when we think about Acima and Rent-A-Center. We have had to tighten, in both cases last year, we tightened.

Acima, with the benefit of trade down though, has been -- you see their numbers as far as growth where we could tighten at the bottom and the trade down is helping quite a bit. And you see the losses coming down, delinquencies in really good shape and so forth. I think that the trade down at Acima is offsetting the tightening we had to do at the bottom.

I don't think that, I know that, just from looking at our internal numbers and the delinquency rates of new customers versus the core customers and so forth. We've really tightened on the bottom and they're getting the benefit of trade down. Rent-A-Center, we've had to tighten at the bottom also.

As I mentioned in my prepared comments, they don't get the benefit quite as quickly or as directly as Acima does on trade down because they're not in a retail waterfall. Rent-A-Center same-store sales was strong based on the environment for the year at 1.5%, but it was flat in the fourth quarter.

It's decelerating a little bit primarily because we've had to tighten at the bottom and they're not getting all the benefit of trade down the way Acima does.

Our growth vehicle at Acima is in great shape because of the trade down or the trade down is certainly helping, and Rent-A-Center certainly even being flat on same-store sales, a pretty darn good job in this environment with still strong mid-teen EBITDA margins as we think about next year.

Overall, you've heard me say it before too, Bobby. I mean our core customer is kind of always under pressure other than the stimulus time maybe in 2021. A long way of saying the trade down is really helping offset the struggle at what you might call the core customer.

Fahmi Karam^ Bobby, maybe just to add to that just a little bit, I think the core customer, as Mitch said, is still under pressure, so our posture from an underwriting standpoint is still I would say on the conservative side.

And the dynamics that Mitch just laid out between the two major segments, and you can see it in the results, Acima is still growing at a very nice clip, 15% in the fourth quarter, coming off a big comp year the year before, and 17% for the year while also reducing its loss rate. You can see that impact of us tightening and some of that trade down.

With Rent-A-Center, losses were relatively flat sequentially, but the portfolio had some pressure in the fourth quarter, and that had an impact on margins as we said in the fourth quarter as well as going into 2025.

But generally speaking, we're taking a cautious approach given where the consumer is and where the macro is.

Robert Griffin^ Okay. I appreciate that. And I guess secondly for me, Fahmi, maybe can we dive into one of the strategic priorities? I think it's on Slide 6 you guys referenced on the Acima business improving margins.

I understand that some of the dynamics between early buyout is a little out of your control back to that trade down aspect.

But if you can maybe highlight a couple of things that you believe are in your control that you can -- what's going to get worked on this year, dive into that a little bit, the timing of it? Just anything there to help us understand the variables that you feel are opportunities within the team's control from an improvement on EBITDA flow-through and margin structure of that benefit, or that segment, excuse me.

Fahmi Karam^ Yes. Thanks, Bobby. Yes. I think you've started to see a little bit of that flowthrough happening between Q3 and Q4 of 2024.

We said there was going to be a delay in timing, and we started to see the impact of that in the fourth quarter. Going into 2025 for Acima, the guide was improved margins, as you noted on the page.

Generally speaking, from a P&L standpoint, I would say gross profit for the year we think is going to be relatively flat year-over-year. And where you're going to see the benefit in margin improvement is around losses, which obviously we have control over.

We just talked about some of the underwriting posture that we're in. And then obviously some scale and operating leverage on the expense side. As we go into 2025, my expectation is for gross profit to be relatively flat, gross profit percentage to be relatively flat, losses coming down and then some leverage on expenses.

In the first quarter, our estimate based on kind of the tax season where it's starting, see signs of strength there. Plus the trade down, my assumption is that gross profit margin will actually be lower, but we're going to offset that with better losses and better expenses to be up quarter-over-quarter at Acima.

Mitchell Fadel^ Yes. I'd add to that, Fahmi, when you look at -- and I think you touched on it. When you think about the 60-basis point improvement in the fourth quarter, we're already starting to see it like we've talked about. When you look at the last two years, '23 and '24, other than the way the second quarter bounces back from the first quarter because the first quarter is always lower with all the extra payouts of the tax returns.

If you look at the trends, and that's the -- you can see the turn just from looking between the third quarter and the fourth quarter of last year. That doesn't normally happen that it

goes up 60 basis points in the fourth quarter. I think we're already seeing the turn as well I'd reiterate that.

Operator^ Our next question comes from the line of Vincent Caintic with BTIG.

Vincent Caintic^ But first, a round of congratulations to both of you. Mitch, it's been great seeing you over the past decade to build up Rent-A-Center then rescue Rent-A-Center and then build up to where it is today.

Well-deserved retirement. And Fahmi, it's been great seeing you as well for the past decade and previously and well deserved on your role as CEO. Congratulations to both of you.

First question, on the -- so kind of a follow-up on previously on the kind of the macro environment, if you could talk about maybe how much you've tightened and where you see some of the weakness. You gave us a couple of details about your applications are up 19% year-over-year at Acima, but your GMV growth is up 15%, so I wonder if that kind of implies the level of tightening.

And then if you could also talk about you highlighted the furniture mix differences between Acima and Rent-A-Center and attributed some of that to some of the sales differences there. Like how much of that has been a headwind? And are there other categories where you're maybe seeing some strength or other categories to point out?

Mitchell Fadel^ Yes. Vincent, on the furniture mix, let me start with that and then Fahmi can talk about the underwriting. In the furniture mix, the great news with Acima is the diversification over the last couple of years of the different categories.

That being in the 40% range where they used to be, geez, I don't know five years ago or four years ago when we bought Acima, it might have been 70% or 80%. Between wheel and tire and jewelry and even things like eyeglasses, there's been a lot of diversification there and really has taken the pressure off of a category that's pretty flat.

I think that's the good news, it's very diversified. And when furniture does come back, and it's -- our drop in furniture year-over-year has certainly diminished. It's not any big gap anymore for us, it's pretty flat.

But still, having said that, I'm really glad to see the diversification of the categories. And when furniture does come back, it's still a big category obviously at 40%, 45%, whatever it is.

It's going to certainly help us when that does come back, although we did -- nobody thinks 2025 is going to be a banner year for it, but maybe by '26 or something like that. Great diversification in that category. And on Rent-A-Center, furniture -- actually, it's about the same percentage furniture.

I know we said furniture and appliances is close to 70%. The furniture part itself is pretty close to the Acima number as far as a percent of the business.

The difference in Rent-A-Center is those are -- where Acima, the profitability of each product is very similar, but at Rent-A-Center, furniture and appliances are our two most profitable products to rent, as you might guess just based on retail markups of furniture especially compared to say electronics. Where Rent-A-Center gets that wholesale to retail markup as well where Acima doesn't.

The margins matter. The fact that furniture is still a strong product for Rent-A-Center is something we want to continue to do because it really helps drive the margin. It's a little bit about the diversification and profitability of those products. On the underwriting, I'll let Fahmi talk about that.

Fahmi Karam^ Sure. And maybe just a follow-on on the categories. I think for on Acima, all categories are up year-over-year in the fourth quarter as well as for the full year. Some of the as Mitch mentioned furniture may be still under pressure, and the team has done a great job of diversifying where that -- where the GMV comes from.

Some couple of standouts would be the jewelry segment. We've really done well in jewelry really all year. It's more of a seasonal product, so obviously really strong in the fourth quarter.

As well as our wheel and tire practice is still a very strong growth and strong performance business for us. As far as the approval rates go, as you mentioned, apps were up 19% in the quarter.

Our approval rates I would say were relatively flat year-over-year. When I look at 2024 in total, apps were up 26% in total and approval rates were down about 70 or so basis points for the year.

But as you think about underwriting or managing a portfolio, you always have to break it down into its components, whether it's new versus returning customers, by channel, whether it's brick-and-mortar, e-com or our SaaS business, or by product category.

I would say generally speaking, year-over-year, we had higher approval rates in our less risky segments and our less risky categories like furniture. Approval rates for furniture are actually up year-over-year, but everything else was down in our more risky segments when you compare it to electronics or jewelry. And really same with new versus returning consumers.

Generally speaking, new consumers have a higher loss profile than returning consumers and so our approval rates match that. Approval rates on new customers given the trade down is down year-over-year. And for returning customers, it's slightly up.

As with everything underwriting and managers of risk, it's a pretty dynamic process that we go through, and our job is to find pockets of risk and also pockets of opportunity and really balance out the mix between growth, losses and profitability. And the team has done a really great job of balancing that while still growing Acima at 17% for the year.

Mitchell Fadel^ Yes. A couple of things I'd add to that on the underwriting, Vincent. As Fahmi mentioned, the approval rates are pretty flat.

But when you look inside of them, they are -- a lot of people think, well if you have to tighten at the bottom, at the top, it must -- there's not much room to gain anything back at the top because you must be approving everybody anyhow at the top. And that's not necessarily the case.

You can weigh in more at the top with an approval rate to offset the tightening at the bottom because it's not like you're starting at 100% approval even at the top end of the spectrum when it comes to the approval. That's kind of an offset inside that. Certainly, you can see with the delinquency and the loss rates, we're pretty happy with what the underwriting team is doing.

You made a comment in your question, you implied that maybe the difference between 19% apps versus 15% growth is the difference citing in underwriting. And as Fahmi just pointed out, there's not 4% less approvals for the reasons we both just talked about.

Remember, also in that number there's mix shifts and things like that. As we do more direct-to-consumer, and I mentioned some great names being added to our marketplace like Amazon and Walmart and Target, but some of those products come at a lower ticket as well so you've got a mix shift there.

With our AI-driven lease ability engine, we're able to lease things that we couldn't even lease before. They're durable goods, but they might only be \$200 or \$300, so you've got a mix shift in there.

I wouldn't try to draw a straight line between approval rate and the really good strong growth that Acima's had. And lastly, on the new customers, as Fahmi pointed out, they certainly -- new customers are always riskier than your returning customers.

And thankfully both teams -- Acima with like 40% repeat business, and Rent-A-Center has always been strong on repeat business, in the 65% to 70% range. Fortunately, we have a lot of great returning customers that are less risky.

But having said that, the new customers are more risky, I will tell you our credit metrics on new customers year-over-year are down. They're performing. As we -- as there's more on the high end and less on the low end, our new customers are outperforming a year ago with new customers perform.

We're really happy with that as well. And again, really happy with the way the underwriting team is working at Fahmi's direction of course. Hopefully, that gives you the color you were looking for.

Operator^ Our next question comes from the line of Hoang Nguyen with TD Cowen.

Hoang Nguyen^ Congratulations on your retirement, Mitch, and congrats on your new role, Fahmi. Maybe if you can touch a little bit on Brigit. You've closed acquisitions for a month now. Maybe can you update us on the integration process so far? I know that previously you mentioned one of the benefits from Brigit is cash flow underwriting.

I guess, I mean how is that going on your side in terms of integration? And what's on your product roadmap and how do you plan to cross-sell to I guess the customer base of the two companies? Thank you.

Fahmi Karam^ Appreciate the question. Yes. I mean we're three weeks in on the Brigit acquisition, so not much to report as far as the integration goes and things like that. But we're equally excited today as we were a couple of months ago when we announced the transaction.

We're very pleased that we were able to close it early in the quarter and get the process of integrating with them and really cross-marketing with them as quickly as possible. And I think the order of operations I guess will be more on the cross-marketing side first.

The underwriting teams have begun dialogue and figuring out ways that we can leverage some of the cash flow underwriting.

But if I was going to prioritize one over the other, I think it's going to be more on the cross-marketing given the customer overlap between the two organizations. And then from an underwriting standpoint, it takes a little bit more time to test the data, apply it to our consumer base, how does it complement our underwriting that we do today because it is very, very different.

But it's something that we feel very, very bullish on our ability now to really understand our consumer, their payment behavior with real-time data. That is going to be a game changer for us.

And we talk about the benefits of applying some of the techniques and models and tools that Acima has been doing for years over on the Rent-A-Center side. The lift that we should be getting from the cash flow underwriting that Brigit does over onto Acima and Rent-A-Center should be just as strong.

We're still early on in the process. We'll give updates as the year progresses, but we're very excited to add them to the team and getting going.

Mitchell Fadel^ Yes. And I agree, Fahmi, the cross-selling should start pretty darn soon, probably coming right out of tax season where it's going to be more necessary for the consumer as well. Coming out of tax season, call it April or May.

But the team is already working on that. I have been on a couple of calls just listening to the marketing teams. Ann and Sarah on our side and Farah and Zuben on the Brigit team working together and really etching it out already. They're going to move pretty fast on that. And none of that kind of stuff is in our guidance for next year, so that could all be -- the latter half of the year could all be a tailwind for us.

Hoang Nguyen^ Got it. And I think you mentioned earlier that you had two sizable merchant wins in the quarter. Maybe can you talk a little bit about your pipeline? How is that tracking? And what has contributed to the success of your sales team in I guess winning over merchants from other providers?

Mitchell Fadel^ Yes. Good question, Hoang. It's been strong. 10% -- we talked about 10% location growth in 2024. And 10% is just a number. Sometimes 10% sounds great and sometimes it's just 10%.

But you think about how big the number is when you talk 30,000 or 40,000 locations in the first place, and you still can grow at 10% a year, our sales team is just knocking it out of the park at Acima. And yes, two good wins in the first quarter on regional players, top 50 furniture players.

And the pipeline remains strong. Lots of conversations going on, like we always talk about, and it's a long process. We just keep growing at the SMB level in these regional wins as some of the larger players take a lot longer to close, if you will.

So really, really happy with all the wins and happy with the pipeline. It continues. It continues to be strong. I think people are needing lease-to-own in this environment more so. They're waking up to that, so lots of conversations going on like I said.

I dare say that our sales team is the best there is because they're just -- guys like Chris and Jerry and Ed and Charles, and I'll forget a whole bunch of names, but these guys are just-- with Tyler's direction, Tyler Montrone's direction, they are just knocking it out of the park.

I think, how do you win? Technology. Our technology is strong. Our offering is strong. We can integrate really, really fast. We can integrate a lot of different ways. You've got to be able to do that. You've got to have the right sales team in the first place.

You've got to be able to integrate, have the right offering. You have the right customer service. Rent-A-Center helps a lot at Acima a lot of times where when you think about a company the size of Ashley because we -- when you buy a lot of furniture from Ashley, a computer company like ASUS, where you can be on their website as well as buying

computers for Anthony's team on the Rent-A-Center side. There's a lot of things that benefit us.

If they've got a few locations that really have a lot of our kind of customers come in, we'll staff them unlike anybody else in the industry.

Staff a few stores, if that helps. We've got subject matter experts we are willing to put in the stores, so there's a lot of reasons why we're winning and things are really looking bright on the Acima side for sure.

Operator^ Our next question comes from the line of Kyle Joseph with Stephens.

Kyle Joseph^ Let me echo congratulations to you both. Just a question for me. Regarding furniture retailers, we've seen a lot of headlines on bankruptcies there. And I understand that Acima has been relatively immune to that given diversification.

But on the Rent-A-Center side of the business, is that a big opportunity for you as brick-and-mortar locations of pure-play furniture retailers are on the decline?

Mitchell Fadel^ We sure feel like it is, Kyle. Especially as we go into 2025. The last quarter of 2024 might have been a headwind for us with all the going out of business sales going on out there.

Of course, some of them are regional players and some of them are more nationwide, but there's an awful lot of, to your point, an awful lot of closeout sales that maybe were a headwind the latter couple of months of the year.

But as we go into 2025, that's all turning -- that should all turn the other way. We do see that as a potential. We didn't forecast anything great coming out of it, but we certainly see that as upside.

Fahmi Karam^ It could be upside to both Rent-A-Center and Acima. If those customers end up going to Rent-A-Center or one of Acima's partners, as long as we get them from the Upbound standpoint, then that could be upside.

Mitchell Fadel^ Yes, because we weren't in any of the big ones that have closed up. I guess we just got lucky there. But that is a benefit as they head into a store that more than likely would have Acima in it.

Kyle Joseph^ And then just on the credit side of things, Acima losses are moving in -- or moved in the opposite direction of RAC. You guys touched on this. I think you mentioned that some of that's trade down.

Is some of that the integration of ANOW and Acima? What's driving that? And then I know you highlighted that your underwriting changes at both and different timing there as well.

Mitchell Fadel^ Yes. I think it is just the trade down helping Acima more than the trade downs helping Rent-A-Center. Rent-A-Center was sequentially flat. I think it was 10 basis points or something, but it was basically flat for the fourth quarter. We're happy that we've stabilized.

When we look at the delinquency going into tax season, which really starts in earnest today, is when we'll see some money coming through the door. As we go -- as we've come into the tax season, we're comfortable with where Rent-A-Center is.

But yes, they haven't gotten all the benefit of trade down helping the number go down. But we've been able to stabilize it and the delinquency numbers look okay. I always want them a little lower, but they look okay. And we're pretty happy where we are.

Operator^ Our next question comes from the line of John Hecht with Jefferies.

John Hecht^ I definitely want to echo the congratulations to both you, Mitch and Fahmi. Good story and a good transition and just congratulations all around. I guess a lot of the questions have been asked for me. First one is, I know it's the first day of tax season, Mitch, you just referred to that.

But is there any structural -- I mean we've heard that tax season from different operators or credit offers that tax season -- the influence of tax season has changed over the past couple of years.

Partly because of timing factors and some other impacts in structural tax changes. Anything you want to call out for this year that you're just looking out for and how that might influence the business?

Mitchell Fadel^ The only thing I have read about this year compared to really the last two years I would say, I think you're right, it's changed a lot over the years. But really, the last couple of years haven't been much different.

But everything I'm reading, and I believe it, I mean they're kind of IRS facts, but the refunds are starting out higher than last year, which will be a good thing for us. More money in our customers' pockets, more consumer confidence with more money in their pocket, I think we proved that during stimulus, how much better you can do when there's more money out there.

I think that if that continues to be the case, the higher refunds, I think that's going to be a better season than normal for us for sure.

John Hecht^ Okay. That's great.

Second, you guys have done a good job building out DTC volume of products and services and so forth. Maybe can you talk about the customer acquisition there? Is that as much cross-sell as it as new customers?

What's the opportunity set there? And how does that influence -- I'm assuming the customer acquisition profile or the cost might be a little different, so how does that impact the metrics? And then how does the new acquisition influence that over the next few quarters as well?

Mitchell Fadel^ Yes. That's really a good question, John. Because if we didn't have millions of customers already in our database, which are a lot easier to market to, to send back to the marketplace to either go back to the retailer where they came from or to shop on our marketplace with some of the unintegrated retailers, your cost of customer acquisition can be pretty darn high if you didn't already have all those millions of customers.

So what we're doing is certainly using a lot of the cross-selling in those millions of customers that are both active and inactive already in the database as well as leaning into driving new customers, but doing it very cautiously from an expense standpoint so that we don't drive up a lot of costs on customer acquisition.

It's a balance, and we can keep our new customer acquisition low as we filter in new customers because we have so many repeat customers to deal with first.

Operator^ Our next question comes from the line of John Rowan with Janney Montgomery Scott.

John Rowan^ I'll add my congratulations for both a great career, Mitch, and obviously Fahmi, a good promotion. Mitch, you'll be missed. Obviously I'm later in the questions here, so most of my questions have been answered. But any updates on the CFPB lawsuits between -- with CFPB and Acima given the changes at the bureau?

Mitchell Fadel^ No. I mean we're reading the same things you're reading about the bureau. We're waiting for the dust to settle. Lots of changes over there, and we'll see what happens.

We certainly feel good about our position in those cases. That part hasn't changed. In all those legal cases, certainly continue to feel good about our position. Like I said, we're all reading the same thing about the CFPB and where it may end up.

But maybe just as important as where they end up or even more important is our -- when you think about the CFPB litigation we have going on, an almost identical lawsuit one of our competitors got just about fully dismissed. That's probably more important than anything else, the fact that a competitor of ours with a very similar lawsuit has basically won big parts of their case against the CFPB, so that's a positive.

We still continue to feel good about it. And certainly, we'll see what happens in Washington. As far as people we talk to there, we've just got to wait for the dust to settle. There's a whole lot of confusion right now and we'll see over the next couple of months who we can even talk to I guess is one way to think about it, John.

John Rowan^ Okay. And just I guess kind of staying with the CFPB to some degree for a second, obviously trade down is a big part of the story. And how much do you think that that's influenced by or at least was influenced by the pending implementation of the late fee rule? And obviously that's another murky issue at this point, but how are you looking at the future of trade downs assuming that the late fee rule does not go into effect as --

Mitchell Fadel^ Yes. That's a good question. I actually never thought that it was being driven as much by late fee rules as it's driven by the delinquency that happens with the inflation and the environment the way it is now.

Just like we talked about Acima tightening up at the bottom and getting the benefit of trade down, that happens all the way up the spectrum. And it's -- there's -- at the bottom -- at the lower tiers of the prime customer and the near prime customer, there's stress. And there's going to be -- I think there's going to be continued tightening above us no matter what happens with late fee rules.

I think it's more about delinquency than it is about that. Not to diminish the fact of what they could have done in the industry, but I think the delinquency above us with some of the prime and near-prime lenders is going to continue to drive trade down. That's my view, Fahmi. I don't know if you have any other view?

Fahmi Karam^ No. I agree. And John, as you know when you're increasing price or tightening up, you tend to go faster on the way up than you do on the way down to give up some of that margin.

Our expectation and the guide that we had for the year is a relatively stable trade down environment.

We'll see how fast they start unwinding some of those things that they put in place to mitigate the late fee rules. Some are doing it, some aren't. Waiting to see where it settles. But either way, we'll be ready to adjust to the environment throughout the year.

Operator^ Our next question comes from the line of Anthony Chukumba with Loop Capital Markets.

Anthony Chukumba^ Let me add my congratulations as well on the retirement and the promotion. Just real quickly, you talked about Acima Marketplace and you talked about the fact that you added these new partners, certainly very impressive names. I guess I just had two quick questions.

One, even just directionally, if you can just let us know what the Acima Marketplace, how much GMV it accounted for in 2024? And then how did that grow in 2024? And sort of what is your expectation in 2025?

Fahmi Karam^ Anthony, thanks for the question. The marketplace in general, we've talked about the impressive growth rate that it's had this year, growing 60% or so in the fourth quarter.

But it is on a relatively small base in total. When you think about almost \$1.9 billion of GMV for Acima for the year, it's in the low single-digit range is what its contribution is to GMV. But the growth rate is nice.

And as Mitch mentioned, we just recently added some of those bigger names. That gives our consumers a lot of different variety and a lot of different options for them to go shop. And as we talk about the pipeline for some of the integrated options, we're going to continue to work on those names. And we're in a couple of RFPs, and we've talked about how long those take to kind of work themselves through, and we'll continue to do that.

But at the same time we're trying to find additional ways to increase our GMV in that virtual lease card that we talked about, being able to put more of the control in the hands of consumers to be able to go shop, whether it's through our marketplace or through the app on their phone.

That's where we're going to, in the meantime go after the GMV. And now that we have the lease ability engine, which allows us to understand what products that they're shopping at these locations, that's a new powerful tool that we look forward to growing as the year goes on.

Mitchell Fadel^ Yes. And to your point, Fahmi, low single digits becomes mid and then 2025 and next couple of years, we'll hit double digits with it. It's a great vehicle for us.

Operator^ Our next question comes from the line of William Reuter with Bank of America.

William Reuter^ Most of mine have been asked. I just have one. You mentioned that there's nothing imminent in terms of the M&A pipeline, but you also mentioned that you will continue to look for additional technology solutions to add or digital solutions to add to the platform.

I guess how do you think about the next year? Would you be in a position to buy something over the next year? Or will you be focusing on optimization of Brigit over that period? That's it.

Fahmi Karam^ Thanks for the question. Yes. I think as we said, right now we have plenty of work to do amongst all three brands, plenty of work to do to get the

collaboration going with Brigit. And you can tell by the guide, we have a lot of growth kind of baked in. We feel like we have plenty to do, but you never close the door.

If there's an opportunity that arises that we feel like fit the strategic plan, we feel like we'll expedite that plan and we can get the right value from it. And you never say never, and we'll look at it.

But for the moment, I think all the team here in the building is ready to start integrating with Brigit and achieve some of the initiatives that we laid out for both Rent-A-Center and Acima, so nothing in the near term.

Operator^ Ladies and gentlemen, I'm showing no further questions in the queue. I would now like to turn the call back to Mitch for closing remarks.

Mitchell Fadel^ Thanks, [Tawanda]. And thanks to everyone who joined us today for our fourth quarter update and our outlook for 2025. We appreciate your time. I'll add my congratulations to Fahmi on his promotion publicly at it.

Thankful for the way we work together and look forward to working the next few months together to make a smooth transition. And just as important as that, very thankful for all of our employees, all of our dedicated employees, and of course our merchant partners who are helping us deliver what I call pretty impressive fourth quarter results and setting us up for a very strong 2025.

I'm grateful to everyone for their collective efforts. Some great jobs being done out there. And I appreciate it. We appreciate it. I know our stakeholders do. And thank you again for your support. And look forward to updating you next quarter. Have a great day.

Operator^ Ladies and gentlemen, that concludes today's conference call. Thank you for your participation. You may now disconnect.