

Upbound Group, Inc. (Q1 2025)
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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:

- Bradley Thomas; KeyBanc Capital Markets; Analyst
- Robert Griffin; Raymond James; Analyst
- Hoang Nguyen; TD Cowen; Analyst
- Anthony Chukumba; Loop Capital; Analyst
- John Rowan; Janney; Analyst
- William Reuter; Bank of America; Analyst
- Carla Casella; JPMorgan; Analyst
- Kyle Joseph; Stephens; Analyst

PRESENTATION

Operator^ Thank you for standing by. (Operator Instructions) At this time, I would like to welcome everyone to the Quarter One 2025 Upbound Group, Inc. Earnings Conference Call. (Operator Instructions)

I would now like to turn the call over to Mr. Jeff Chesnut. Please go ahead.

Jeff Chesnut^ Good morning. Thank you all for joining us to discuss the Company's performance for the first quarter of 2025. 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 webcasts.

With that, I'll turn the call over to Mitch.

Mitchell Fadel^ Thank you, Jeff. And good morning, everyone. As I start my 30th and final earnings call as Upbound CEO, I'd like to share with you my perspective on the state of our business. When I started in this business over 40 years ago, the industry was just starting to transition from a highly fragmented and localized model to a more centralized and professionally run model.

That evolution delivered a host of benefits for our customers including a consistent experience across all of our stores, as well as unlocking the benefits of our scale, which enabled lower prices and enhanced services across our growing national footprint. That's the playbook that ultimately led to our IPO and powered our success thereafter.

As the world changed, our customers changed, and we responded by changing our business as well. Today Upbound is committed to our mission of elevating financial opportunity for all with a goal of becoming the financial platform that meaningfully and seamlessly improves our customers' financial lives.

I'll start on Slide 4 and talk just about how we're going to deliver on and how we do deliver on that mission. We acquired Acima in 2021 to grow our ability to offer leases virtually, which dramatically expanded our TAM and enabled us to become a critical sales enablement partner for what's now over 35,000 retailer locations across the country. Since then, we've provided more than 14 million leases to over 6.5 million customers who do not typically have access to the traditional financial services ecosystem.

Along the way we've developed a proprietary and differentiated view of the underserved population, and we know we can leverage that knowledge base to responsibly help those customers with new products through our growing digital channels, while delivering that same superior level of customer service.

That's why we added the Brigit business. Their team has developed an innovative set of products that help customers save money, avoid fees, learn to budget better, build credit and with more offerings on the horizon. Those products are built upon a foundation of data elements and risk insights from banking connections with -- and cash flow underwriting technology. Ultimately, what it means is, Brigit has a real-time robust view of its customers' financial needs and can continue to build new products that meet and exceed those needs to help those customers live better lives.

Collectively, our brands have a wealth of consumer intelligence of unmatched quality, depth and breadth, covering the non-prime segment, and it makes for a really, really powerful foundation that we can harness and unify the data between our businesses on an

underserved population that, as I mentioned, doesn't participate in the traditional credit system and is looking for options.

This all allows us to be a stronger and more holistic financial partner to them and a more indispensable partner to our merchant roster. Over my 40 years in the business, I've seen every cycle the market has experienced. Our business has weathered them all and emerged stronger on the other side every single time primarily because we kept it simple.

We focus on doing what's best for our customers. And when we do that, we earn their trust, their loyalty and their future business. Because of that commitment delivered each day by our team, Upbound is stronger today than it's ever been. With that background, I want to move to the key highlights from the first quarter of 2025, as well as a discussion on the progress we've made on our priorities for the year.

Then, Fahmi will share a more detailed review of our financial results and, of course of our outlook. And after that, we'll take some questions. Let's move to Slide five and discuss some of the key drivers of our performance this quarter. At Acima, we carried last year's momentum into 2025 with GMV growth of nearly 9% year-over-year on higher applications and funded leases in this quarter relative to the first quarter of last year.

As we mentioned before, Acima's growth comes from a highly diversified lineup of merchant relationships with the top 10 merchants representing about 30% of the total GMV. Acima achieved that growth, that 9% -- roughly 9% year-over-year growth, while improving its lease charge-offs by 70 basis points from last year, leading to a step-up in adjusted EBITDA margin of 170 basis points.

I'm going to say it another way for emphasis and just to put it simply, Acima has been on a tear since late 2023, and it just booked its highest ever quarterly revenue figure, while concurrently delivering year-over-year improvements in EBITDA margins and lease charge-off rate.

Without question, the world is changing, but we believe Acima's growing roster of over 35,000 merchant locations is a unique differentiator that enhances its presence wherever and whenever durable goods transactions are occurring. On top of that, our direct-to-consumer marketplace and AI-powered leasability engine unlocks leasing opportunities with unintegrated retailers where we do not yet have a formal relationship. These advantages are meaningful and sustainable, and it's why we expect to see low-double-digit GMV growth across the balance of the year, and that's on top of 17% last year.

At Rent-A-Center, same-store sales were down 2%, mostly as a result of two adjustments we implemented in the second half of last year. We previously mentioned that we tightened our underwriting to protect our charge-off rate, knowing that it would also impact Rent-A-Center's growth rate since that segment doesn't see the trade-down benefit as quickly as Acima does. In addition to tightening up the underwriting, we removed

higher -- certain higher loss products from our lineup to optimize efficiency and margins, which created a secondary headwind to top line growth.

Overall, that's what drove the slightly negative minus 2% same-store sales. These decisions did yield the expected benefit and produced a lease charge-off rate of 4.6% for the first quarter, down 10 basis points year-over-year and 40 basis points sequentially. In a couple of slides, I'll highlight some of the key digital initiatives that we're rolling out at Rent-A-Center to drive even more customer engagement and activity. And Brigit joined Upbound on January 31, and its financial wellness solutions continue to resonate with consumers as we booked mid-20% growth in both subscribers and cash advances versus the year ago period.

On a pro forma basis, revenue for the full 3-month quarter was up 38% year-over-year. We're very pleased with those results, especially when you think about Brigit customarily dials back its marketing spend in the first quarter due to the positive impact of tax refunds on consumer liquidity. That growth also preceded the trials of our cross-sell initiatives, which we purposely started as tax season was concluding. Brigit's emphasis on sustainable growth resulted in customer acquisition costs and a net advance loss rate within our expectations.

So let's go to Slide 6 and recap our consolidated financial results in Q1. First quarter revenue of nearly \$1.2 billion was a 7.3% increase from a year ago period, mainly driven by strength in Acima, plus the addition of two months of Brigit. Upbound delivered \$126 million of adjusted EBITDA, which was a lift of almost 16% against Q1 of 2024, and adjusted EBITDA margins of 10.7%, which was up 70 basis points from last year. Non-GAAP diluted EPS was \$1, which was about 27% higher than the year ago quarter. Upbound generated free cash flow of \$127 million, which is nearly 4x larger than last year's first quarter result. Each of these figures -- each of these really strong figures exceeds the midpoint or the high end of our guidance range that we provided on our last call.

In terms of lease charge-offs, we finished the quarter at 8.9% for Acima and 4.6% for Rent-A-Center, representing improvements both year-over-year and sequentially. These are really strong results, and I'm pleased that Upbound delivered them during a period of macro uncertainty. Our customers, as you know are seeing the same headlines as the market, whether it's tariff escalations or sticky inflation.

On the other hand, unemployment is around 4%, which is below the pre-Covid 10-year average, and the average tax refund has been ahead of the prior two years, slightly ahead at least, which affords our customers a boost to either their spending power or their savings cushion. Additionally, there's been a nice pullback in gas prices at the pump, which is meaningful for lower-income consumers. And on balance, our consumers are confronting that volatility with deliberate shopping and spending decisions.

As I've seen quite a few times in the last 40 years, a tougher macro environment gives us as many tailwinds as it does headwinds. Just look at the trade-down impact that Acima is

seeing right now. We've proven over the years that our business can be more and more relevant to consumers in times like these. Durable goods categories like furniture, appliances and tires are often necessities that need to be addressed in the moment. And our value proposition of high-quality goods and low payments, no long-term financial commitment and tremendous flexibility can attract even more new customers to LTO offerings during uncertain conditions. Just go back and look at our results during the Great Recession in 2008, where we outperformed the market, grew our business and managed losses at our normal levels.

Additionally, we have new products outside of lease-to-own with our new Instant Cash advances via Brigit that can help customers manage their liquidity and avoid expensive bank fees. This is how the full spectrum of Upbound solutions can make a meaningful difference in people's lives, and the current economic climate really amplifies the value proposition we deliver for our customers: convenience, flexibility, access to name brand durable goods on the LTO side, and now liquidity solutions and financial literacy, smart alerts, credit building and the like, and many financial wellness tools on the Brigit side.

We're well prepared to support our existing customers, while welcoming these new customers to our family of brands with our existing offerings and a pipeline of new products coming this year, which is a good segue really to Slide 7, which discusses our strategic priorities for 2025 that we outlined a few months ago.

Across the first quarter, we made great progress in our digital investments towards a stronger, more efficient, more unified customer experience, and we're continuing to build new connections between our segments towards our goal of providing a seamless set of financial solutions to our customers.

At Acima, we debuted an upgraded product experience. The new design was informed by the latest intelligence in customer preferences and shopping habits, resulting in a more personalized and tailored experience for Acima's user community. That personalization is unlocked by the product's ability to capture more insights about the customer such as their shopping preferences in-store or online, their favorite categories, which the app can then feature, and their leasing history, so Acima's recommendation engine can suggest related products. Collectively, it means we can communicate more effectively and more efficiently with our customers to have them return for the next lease more quickly and drive GMV growth.

I'm also pleased to preview a new initiative for Acima, which is to launch a pilot in the Mexican market later this year or early next year, depending on regulatory approvals. And Acima's expansion into Mexico is a natural extension of the success it has achieved here in the U.S. in a market where we already conduct business through Rent-A-Center with millions of target consumers who can benefit with a low payment, flexible lease product to access durable goods. Acima is leveraging the established local expertise of the Rent-A-Center Mexico team for in-depth visibility into consumer spending and payment patterns, decisioning models and account management strategies, along with operational support tied to the 130-store footprint we already have down there. Acima's

scalable platform, combined with Rent-A-Center Mexico's local infrastructure creates a strong foundation for cost-effective accelerated growth, and we look forward to updating you on our progress across the balance of the year.

At Rent-A-Center, we are seeing promising early returns on our digital enhancements, which are designed to boost the conversions from shoppers to customers. These include the new Google AI search functionality on the core website, which is now returning search results more tightly aligned with our shoppers' intent.

We also rolled out a new online chatbot to more intelligently guide customers through the shopping journey towards the right leasable item. So when they're ready to apply for a lease, they will really appreciate our streamlined application flow, which is designed to deliver a more frictionless experience and minimize abandonment. From an account management standpoint, we recently embedded Cash App payment capabilities, and we know Rent-A-Center customers will appreciate more ways to pay especially considering its already high penetration with our customer base.

So really happy about adding Cash App payment capabilities. In addition to our continuing digital investments, enhanced collaboration is a paramount priority for this year, especially with the addition of Brigit. A key differentiator for Brigit is its cash flow underwriting platform, which Rent-A-Center and Acima will test into over time. We believe that real-time data will produce more approvals and fewer losses across the business. And right now we're focused on introducing our Rent-A-Center and Acima customers to Brigit offerings through digital messaging and marketing collateral in our stores.

We're just ramping up that effort. But over time we believe we can deliver new customers to Brigit at essentially no incremental cost, which will lower Brigit's customer acquisition costs and drive further growth. As always, our teams will continue to develop collaborative approaches to support our customers and reinforce transaction volumes. And before Fahmi takes you through our segment results in a little more detail, I'd like to acknowledge how talented and dedicated our team is, and they continue to turn our aspirations into reality. And every day our team's relentless focus on our customer helps bring our mission to life, and their commitment and motivation is second to none. And I'm really humbled each day to be a part of such a special group. I know I'm going to miss being part of this group. They're doing such a great job, and I sure appreciate each and every one of them.

With that, I'll hand it over to Fahmi.

Fahmi Karam^ Thank you, Mitch. And good morning, everyone. Let's now turn to the segment results and then discuss our outlook for the balance of 2025, after which we will take questions. Acima recorded Q1 GMV growth of 8.8% year-over-year, in line with our expectations and an impressive print, given we are comping nearly 20% growth in the same quarter of 2024, resulting in approximately 29% GMV growth on a stacked 2-year basis. Acima's GMV this quarter was the highest it's been in the first quarter since the

pull-forward in 2021, and it was driven by an increase in applications of more than 10% year-over-year. The quarter started off slowly with a delayed tax season but picked up meaningfully in March with double-digit growth year-over-year, which continued into April.

In the first quarter, the GMV growth was sourced from new merchants added during the quarter and also an impressive increase of nearly 80% year-over-year from our direct-to-consumer marketplace channel. Our sales team's success in onboarding new merchants reinforces our diversified lineup and minimizes concentration risk.

This quarter, our top 10 retailers represented just over 30% of GMV. Our largest product category, furniture, only represented approximately 40% of GMV in the first quarter compared to approximately 45% last year. Acima revenues grew 13.5% year-over-year, which was the fifth consecutive quarter of double-digit growth, and adjusted EBITDA was up 31% from a year ago.

Adjusted EBITDA margins were up 170 basis points from Q1 of 2024, driven by three main factors. First is the multi-quarter run of strong GMV growth that is now producing higher returns as more of those customers are staying on rent longer and driving a larger portfolio. Second is that Acima's loss rate of 8.9% for the first quarter declined 70 basis points year-over-year and 10 basis points sequentially, which aligns with our expectations, as trade down has given us the ability to tighten underwriting in certain high-risk segments. The third element also ties back to the elevated trade-down levels Acima saw across 2024 and into 2025.

We have highlighted that while those customers more often elect the earliest purchase option, which is a lower-margin result for Acima, they also often come back for a second or third lease, and those repeat leases are more profitable than the first lease, even if the customer elects the 90-day early purchase option each time. Despite that short-term impact to gross margins, we were able to expand our EBITDA margins again this quarter, consistent with our guide for the year.

On Page 9, let's discuss our first quarter with Brigit. Since closing the deal on January 31, the Brigit team has maintained their momentum and ended the first quarter with over 1.2 million subscribers, which is up more than 26% year-over-year and up over 2% sequentially, consistent with our expectations, given the seasonal impacts of tax refund receipts, which reduced the need for liquidity solutions in Q1. ARPU, or average revenue per user, was \$12.88 on a monthly basis during the two months following the acquisition, up nearly 6% from the corresponding period a year ago from a combination of user mix shift between Brigit's Plus and Premium plans, improved revenue collection models, and the contribution from expedited transfer fees. The subscription income made up about 3/4 of Brigit's revenue, with the balance coming from the expedited transfer fees in the marketplace through which Brigit receives affiliate income.

At quarter-end, Brigit finished with approximately \$49 million of cash advance volume on the balance sheet after making over \$335 million in advances from the start of the

year, a 27% increase from Q1 of 2024. The shorter duration advances result in capital efficiency, while enabling the team to quickly adjust underwriting and turn over the book within two or three weeks rather than months or quarters to manage risk in response to changing market conditions. For the two months following the acquisition, Brigit's cash advance loss rate was 2.4%, defined as cash advance losses divided by total originations in the period.

In terms of financial metrics, Brigit recorded \$32 million of revenue and \$11 million of adjusted EBITDA for the February and March ownership period, with top line result representing an increase of about 35% against Brigit's performance from the corresponding period a year ago. Let's move to the Rent-A-Center results starting on Page 10.

Beginning this quarter, we combined our Rent-A-Center segment and the Franchising segment to align with our organizational structure and how this segment will be managed. Their results will be presented on a combined basis going forward. From a mapping standpoint, franchise merchandise sales will now be reflected in merchandise sales and royalty income will now be presented in other revenues. There was no change to the bulk of Rent-A-Center's revenue, which is rentals and fees.

With that context, Rent-A-Center delivered revenue of \$489 million, down 4.9% from the year ago quarter due to 110 fewer company-owned stores after the consolidation and franchising efforts in the second half of 2024. This outcome was consistent with the mid-single-digit setback we highlighted on our last call.

Same-store sales were down 2% year-over-year, reflecting fewer deliveries in the first quarter relative to the prior year period, due primarily to our decision to exit certain product categories and tightened underwriting. Streamlining our lineup of lower profitability items will impact demand in the near term but protect our margins in the longer term.

In terms of the product mix, furniture and appliances represented approximately 66% of revenue, which was consistent with the year ago and sequential periods. Rent-A-Center's adjusted EBITDA was \$72 million, down 14% from the first quarter of 2024 due to less rental income, as I mentioned.

As our digital efforts continue to transform our service model, we expect to operate more efficiently and, over time reduce the fixed cost infrastructure. For the first quarter, ecommerce represented approximately 27% of total lease-to-own revenue, up slightly from both the year ago period and sequentially. Rent-A-Center's loss rate finished at 4.6% for the first quarter, an improvement of 10 basis points year-over-year and 40 basis points sequentially.

Our targeted tightening in the back half of 2024 is benefiting the health of the portfolio. But in contrast to Acima, it has a bigger impact to the size of Rent-A-Center's portfolio. Acima benefits from trade-down in real time at the point of sale, whereas Rent-A-Center

has not realized this benefit yet. If the macro backdrop does deteriorate, Rent-A-Center could also see a trade-down impact and an uptick in demand.

Let's cover our liquidity and capital allocation policies on Slide 11. When the market is characterized by heightened volatility and uncertainty, it is reassuring to have a durable business model, a strong balance sheet, reliable access to funding and bedrock principles for allocating capital. Coming off the holiday shopping season and supported by tax refund payments, our business generated over \$127 million of free cash flow in the first quarter, up substantially from \$34 million in the prior year.

We are committed to investing for the future, but we are reassured that if we choose to moderate our growth, the business can generate meaningful cash flow. We finished the first quarter with \$312 million in liquidity between cash on hand and our revolver availability. Despite the expectation for continued growth at Acima and Brigit, we expect liquidity to improve across the course of the year, thanks to the cash generated from the Rent-A-Center segment.

While it is not expected to be needed in the near term, Brigit's Instant Cash advance receivable balance can deleverage opportunistically in the future to potentially upsize the company's revolver capacity. With the profile of our existing balance sheet, we are confident that Upbound can support our capital allocation priorities, which continue to focus on investments in the business, supporting the dividend and delevering.

As for leverage, our net leverage ratio was approximately 2.9x on March 31, up slightly from 2.7x at year-end, reflecting the closure of the Brigit transaction. Let's shift to our financial outlook, beginning with the potential impacts of tariff changes. The introduction of the new tariff schedule did not directly impact our first quarter results. The turbulence associated with the implementation and the response by other countries has impacted market expectations and consumer confidence with potential implications for lower investment, limited hiring and higher inflation in the broader economy.

In response, many of Rent-A-Center suppliers, which are the same for Acima's merchants, have diversified or are diversifying their global supply lines by shifting manufacturing to low-cost, low-tariff regions or even nearshoring their operations to Central America, so they are better prepared for however the final trade deals land. We are also assessing alternative suppliers who may be less impacted by potential tariffs based on their manufacturing and sourcing footprint.

Overall, we believe Rent-A-Center's direct tariff exposure is modest. Furniture and appliances, our two largest categories at Rent-A-Center, over 70% of the expected 2025 purchase volume is assembled in the U.S., with much of the balance sourced from Vietnam, Taiwan, India and Mexico.

Our direct from China exposure is less than 20% of the year-to-date orders, and that volume is nearly all computers and gaming consoles where certain exemptions currently apply. Rent-A-Center's top suppliers in those categories are actively adjusting their

supply chains in response to the targeted tariffs, which we expect will help offset any exposure to possible pricing actions.

Let's spend a moment on the unique element of Rent-A-Center's model and how we are different than a traditional retailer. In this environment, inventory is critical, and Rent-A-Center has a natural buffer to potential tariff impacts through the floor inventory and any merchandise that is returned to be re-rented.

It allows us to meet demand and manage our margins without raising prices on most items. From a consumer behavior standpoint, Rent-A-Center's customers have historically returned rented merchandise at a higher rate in difficult times, mainly to protect the relationship they have with the brand. Rent-A-Center expects that will be a key factor towards mitigating its charge-off rate, while also maintaining inventory levels and creating new opportunities for re-rentals.

On the go-to-market side, we have two primary levers when originating a lease-to-own agreement, which are the weekly payment and the term to achieve full ownership. Each of these can be adjusted on the margin, meaning by \$1 or \$2 per week, or by adding an extra few weeks at the end of the term to preserve the affordable access and price points that our customers prioritize while passing on any price increases.

We believe these efforts will limit any potential pricing shocks and minimize the impact on consumer demand, while also still supporting our sales enablement efforts at our merchants during such an uncertain time. Our team has seen a version of this environment before during the post-Covid supply chain bottlenecks in 2021. Because of that experience and our longtime relationships with our vendors, we are reacting with speed and precision to protect our customers, our merchants and our business during this period.

Beyond our operational levers, we're also sensitive to potential changes in consumer behavior. We have not seen any slowdown in purchasing or payment behavior yet. The momentum we experienced in March continued in April with another strong GMV month. We will continue to monitor the environment, and we will carefully adapt our value proposition, our sourcing strategies and our underwriting accordingly. Just to be clear, we see this as an opportunity in the months ahead.

If the trade policies result in real or perceived pressure on non- and near-prime household liquidity, which causes the lenders above us to tighten further, we expect to benefit from further trade-down, our Brigit business, which should also benefit from more consumers looking for liquidity or looking for ways to save money and/or for budgeting insights.

In terms of how it affects our guidance, these currents and countercurrents mean less visibility into the quarterly cadence of our results for the year. However Acima's momentum reinforces the resilience of our model and gives us the confidence that Upbound is well positioned to achieve the guidance for 2025 that we shared on our prior call.

We had a very strong first quarter and are confident in our ability to successfully manage through uncertain economic times as we have demonstrated over the years. As a result, we are pleased to tighten our ranges and raise the midpoint of our full year 2025 targets for revenue, adjusted EBITDA and non-GAAP diluted EPS. As we build towards the full year, we are sharing our initial view on the second quarter with revenues ranging from \$1.05 billion to \$1.15 billion, adjusted EBITDA of \$125 million to \$135 million and non-GAAP EPS from \$1 to \$1.10 for the quarter.

At the segment level, we expect Acima to deliver low double-digit GMV and revenue growth with EBITDA margins slightly better than the year ago period. These charge-offs are expected to remain stable sequentially. Rent-A-Center's revenue should follow the same seasonal sequential path as 2024 with a mid-single-digit step-back in Q2 compared to Q1, with EBITDA margins down slightly sequentially despite an improvement in loss rates. Brigit's Q2 revenue will reflect a full quarter of ownership with expected mid-teens EBITDA margins and a net advance loss rate similar to Q1.

For Brigit, let me highlight a classification item. Their administrative costs will be reported in Upbound's corporate segment, which elevates Brigit's segment reported EBITDA results compared to the original guide, which at the time represented the business results on a stand-all basis.

We implemented this reporting element for consistency with our other business segments, but these expenses will be counted as a deduction to Brigit's results when calculating the 2026 performance-based earnout. Upbound's original guide for Brigit this year was \$25 million to \$30 million of EBITDA. But with the reclass of certain expenses to corporate, the segment results should be \$35 million to \$40 million. Again this change is net neutral on a consolidated basis. As a result, our corporate costs will be slightly higher in 2025 than 2024 in the mid-to-high single-digit area.

Also at the corporate level, we are 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 the shares issued for the Brigit acquisition.

For the year, we are revising revenues up to be in the \$4.6 billion to \$4.75 billion range, adjusted EBITDA to be \$510 million to \$540 million, and we're tightening our full year guide of non-GAAP EPS to a range of \$4 per share to \$4.40 per share. The midpoint of our revised guidance compared to 2024 represents an increase in revenue of more than 8%, an increase in adjusted EBITDA of nearly 11% and an increase in non-GAAP EPS of about 10% with no share repurchases assumed.

We feel very well positioned today given our experienced team, our resilient business model, our underwriting expertise, diversified product offerings, a strong balance sheet and long experience serving the non-prime consumer. Let's wrap up with some key takeaways.

For our stakeholders, it is critical to recognize that this was a milestone quarter for our business. On the operational and strategic growth side, we closed on the Brigit acquisition and welcome their team to the Upbound family. We added a sixth quarter to Acima's run of strong GMV growth, and we took targeted actions to spur Rent-A-Center's growth, while delivering P&L results ahead of our guidance.

At the Upbound level, as previously disclosed, we successfully resolved the CFPB matter after their voluntary dismissal with prejudice. This was a long-standing regulatory matter involving Acima that we are pleased is behind us with no changes to our business or financial penalty.

As I shift into the CEO role next month, I want to emphasize that our team is committed to staying on our strategic course which is to be the holistic financial platform dedicated to the underserved consumer that seamlessly improves our users' financial lives and reduces their financial stress.

Our fundamental priorities will remain hyper-focused on delivering consolidated top line growth through combining our broad set of capabilities with our unwavering commitment to our customers and our merchants.

We will also elevate our operational performance and our collaboration across segments to drive innovation and efficiencies in our products and processes. And finally, we will deploy capital effectively towards those goals and towards shareholder returns. Together, we believe we are well positioned to achieve sustainable value creation for all of our stakeholders. Thank you, all for your time this morning.

Operator, you may now open the line for questions.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Your first question comes from the line of Brad Thomas with KeyBanc Capital Markets.

Bradley Thomas^ Mitch, thanks for all the help. It's been a pleasure working with you all the years. And Fahmi, congratulations on the new opportunity for you. I wanted to start with a tariff question and was -- you gave some very helpful commentary there about your exposure and some levers that you can pull. But I was wondering if you could just give us a little bit more color in terms of what, if anything, you're seeing in terms of price increases from suppliers to the Rent-A-Center stores and what you're expecting going forward?

Fahmi Karam^ Brad, thanks for the question. So yes, a lot of uncertainty right now and a lot of headlines around tariffs. To date, we have not encountered any price changes at all across the board. In certain segments or certain categories, TVs and even in certain

appliances, we've actually seen a reduction of what we're buying today versus the same time last year.

So to date, no price increases. Of course that can change relatively quickly. But as of this morning, no changes to any of our prices. But I think also -- and just as important, we mentioned it in the prepared remarks, is our ability and demonstrated track record of being able to adjust our pricing by the weekly payment \$1 or \$2 a week or even adding just a few weeks to the end of the term can make up for any price increases that we've seen in the past, and we're confident we can pass that on again if need be.

I also want to keep in mind that if it does happen and inflation does tick up, the benefits of our -- of the business model itself and some of the upside we'll see from more folks choosing lease-to-own, whether it's through RAC or Acima, as we said, we view it as potential upside to the story and to the guide this year. So we'll watch it very closely. We'll monitor it, and we'll be able to adapt as we see things kind of get finalized, hopefully, over the next few weeks.

Mitchell Fadel^ Yes. Brad, this is Mitch. I'll just add to some Fahmi's comments there. As he said in the prepared comments, we expect any price increase to be pretty modest because something like 75% of the furniture and appliances we get today are made in the U.S.A. anyhow. Very little exposure really to China. That's mostly the game consoles, I think you said in your prepared comments, Fahmi, game consoles and computers, which at this point are tariff exempt. We and our suppliers are looking to put them together in the U.S. versus getting them from China and all those kind of things.

So it's pretty modest. Although on the other hand, as Fahmi mentioned, keep in mind that when the \$1 or \$2 a week that Fahmi was mentioning, if we have to add \$1 a week to our rates, on average, that's a 4% price increase and it's only \$1 to the customer, yet that covers 4%. If we add a month to our average term of about 15 months, what's that, 7% [1 over 15].

So if you add a month, it's 7%. You add \$1, it's 4%. And also, when you think about the fact that our margins on the Rent-A-Center side are pretty high, if you have a \$100 price increase somewhere, cost increase in our average margin, you know our pricing model, Brad, more like about 2x cost is our cash price and 2x cash price is our rent-to-own amount at least contractually for someone to take ownership, so you're talking about -- if you get \$100 cost, you're going to have about \$400 worth of revenue against it.

So what we saw during Covid when supply chain got tight and we had to raise prices as costs went up, it actually helped same-store sales and so forth. So you get trade-down, to Fahmi's point, plus actually some higher prices don't hurt, and you don't eliminate people's affordability because it's adding \$1 or \$2 or a month.

So we're not -- it's not going to affect us the way it would affect maybe traditional retail. I guess the last point, you got to remember, in this environment, our inventory -- we have a lot of inventory, and about half the inventory that we run on the Rent-A-Center side gets

returned. So it's in our system about 15 months on average. So all the inventory we have now really becomes our friend in this case. The cost is already there, and it's going to be in our system about 15 months. So our current inventory is our friend, as I said. So lots of reasons not to be near as concerned as maybe traditional retail.

Bradley Thomas^ That's very helpful. For my follow-up question, I wanted to ask about Brigit. It seems like it has a very exciting outlook just on a stand-alone basis, and again lots to be excited about there. How are you thinking about the roadmap for potentially integrating it more across the business and synergies that you might be able to have from owning it and the timeline for that?

Fahmi Karam^ Yes, Brad, I would say yes, to your point, the results have been really good, better than even we expected to start off with the first couple of months of ownership with revenue up over 35%, subscribers up 26%. That is actually -- as we said in the prepared comments, we have started e-mail campaigns of introducing Rent-A-Center and Acima customers to the Brigit brand, but we kind of waited till after tax season had kind of gotten underway and almost finished up just to hopefully be more well timed as far as our reaching out to those customers.

So good progress there, on track. As we said, we're going to start with marketing collaboration. Then, we've also started down the path of some of the data collaboration and sharing data, especially around some of the cash flow insights that we've highlighted with Brigit and some of that proprietary modeling and just consumer transparency in their data and their information. So that's on the come.

I do think you'll start seeing that maybe later in the year being something that we utilize across all of our brands to not only approve more customers, but also mitigate losses as well. So I would say we're on track from kind of the integration plan and still super excited about having them part of the Upbound Group.

Operator^ Your next question comes from the line of Bobby Griffin with Raymond James.

Robert Griffin^ Congrats on a good start to the year. I guess firstly, I wanted to go back to Brigit. It looks like the business, as you guys were talking about, is off to a great start. Can you help us understand a little bit of the seasonality of this business? You mentioned tax refunds, need less liquidity, but the EBITDA for two months was pretty good. Just kind of asking in the context if we take this 2-month rate and even look at it at the changes in guide to account for the accounting differences, it still looks like the business is off to a very good start. So is there some seasonality we need to keep in mind as tax refunds roll off or different things like that?

Fahmi Karam^ Yes, Bobby, there is some seasonality, especially when it comes to the margin profile. Q1 is going to be the highest margin profile for the year. As we mentioned, you have a little bit less marketing spend, given liquidity is pretty flush during tax season. So we pulled back a little bit on the marketing side. You also have

seasonally low losses. So from a margin standpoint, the 35%-ish margins that we posted for the two months of ownership, that will come down. We said that in the guide, call it, mid-teens in the second quarter. So there is some seasonality when it relates to kind of marketing spend and margins, adding subscribers as well. It's pretty flat Q4 to Q1. That's been the trend over the last few years. That continued this year. But then you should start seeing it pick up post tax season.

Mitchell Fadel^ Collections is strong.

Fahmi Karam^ And the collections have been good.

Mitchell Fadel^ In the first quarter. That helps margins --

Fahmi Karam^ Low-single digits. So margins are good in the first quarter. We'll start spending a little bit more on the marketing side. You should see an uptick in the number of subscribers in Q2 and Q3.

Robert Griffin^ Okay. That's helpful. I appreciate that. Then, maybe secondly, kind of a different topic, but just the call-out of the test or the expansion of Acima in Mexico. Can you unpack that aspect a little bit more, just kind of how you go about that, balancing the upside scenarios, obviously but with the risk of -- from the loss ratios or kind of going into a new market with a new product?

Mitchell Fadel^ Yes. Good question, Bobby.

We're pretty excited about taking Acima to Mexico.

I know the team is as well.

The risk of going into a new market certainly would be much, much higher had we not had Rent-A-Center down there since 2010.

So with 130-some Rent-A-Center stores down there and performing well with the dollar - the currency stuff, you don't see as much EBITDA as maybe would warrant.

But in pesos, they continue to grow their profit year-over-year, and some of it gets lost in that currency translation, like I said.

But we're doing very well down there in the Rent-A-Center stores.

So we've learned a lot from a decisioning standpoint, collection standpoint and all those kind of things that Acima is going to piggyback.

So I don't think there's the normal risk of going into a new market the way there would be if we hadn't already been down there with Rent-A-Center.

And obviously some -- a lot of the Rent-A-Center infrastructure is going to support the Acima team as they expand down there.

So we're excited about it. There's millions and millions of customers down there, as you probably realize.

It just seems like a great extension, a great growth vehicle for Acima without a lot of risk because we already know the market with our Rent-A-Center stores down there.

Fahmi Karam^ Without a lot of capital spend either.

Mitchell Fadel^ Yes. Without building store.

We can't -- we just can't grow Rent-A-Center fast enough down there, really. Who wants to open another 500 brick-and-mortar stores today whether it's in the U.S. or Mexico for that matter.

The capital expense, and you'd wonder about the investment.

It's a market that from a U.S. standpoint, makes \$700 million of EBITDA, and how much you're going to put into it by opening a whole lot more Rent-A-Centers to take advantage of all the demand. But Acima, with a low capital model, obviously is the way we believe we should grow down there.

Robert Griffin^ Very good. I'll add my congrats, Mitch. Best of luck in retirement. It's been great working with you, going all the way back to my research associate days. And Fahmi, look forward to continue to work with you in your new role.

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

Hoang Nguyen^ Yes, best of luck to your retirement, Mitch, and congrats on the new role, Fahmi. I just want to touch a little bit on Brigit. So it looks like revenue growth in 1Q was about 35%. I think in the original plan that you guys laid out, that calls for acceleration in revenue growth maybe towards the later part of this year and next year. Now that you have had two months of looking into this, I mean can you give us a little bit more color on the plan and how you guys are going to accelerate growth in Brigit going forward?

Fahmi Karam^ Yes, Hoang, I would say that what we've experienced over the last two months, three months since we announced the deal has been pretty much in line with what we expected, and we're on track to hit the numbers that we outlined in the initial guide for 2025 and on track to hit what we predicted for 2026. So nothing really has surprised us. Nothing has really changed.

I think the macro backdrop is very conducive for people to need liquidity and need the products that Brigit offers, not just the Instant Cash, but the credit building and all the

financial literacy tools. So we're just as excited and feel like the growth is on track based on everything that we're seeing.

The pipeline of new products that we're piloting now that will also add more to the bundle and actually have new bundles on the way. All of those things are kind of going to contribute to the revenue growth as well as the EBITDA expansion that we expect from '25 to '26. So I would say everything that we expected is on track. Nothing has slowed us down. If anything, we're more positive on the story and the integration possibilities between the three brands.

Mitchell Fadel^ Yes. The cross-selling is really -- even though we waited till the tax season was winding down, they're putting a lot of good stuff together. The marketing teams are working great together very collaboratively, and the cross-selling started, as I mentioned. Working with Zuben, Hamel, Fara, Arvind and those folks at Brigit has gone really smoothly with our marketing folks here to get that cross-selling going. So yes, if anything, we're more excited than we were a few months ago when we closed it.

Hoang Nguyen^ Got it. I mean as you guys cross-sell more between Brigit and, I guess the lease-to-own business, I mean is there an argument to be made that it's going to, I guess reduce the cyclicity of your overall business? And can you give us some of the timeline of that cross-selling efforts that you guys are going to roll out?

Fahmi Karam^ Well the cross-selling efforts have already begun, and we've seen some good response rates from some of the e-mail campaigns that we've done for both Rent-A-Center and Acima customers, but again still very early stages. As far as the business itself, I mean I think both of our -- all of our businesses today are conducive to being recession-proof or countercyclical, meaning when times get tough, the demand for those products should go up.

If you think about the lease-to-own product, what it offers from a low payment, low entry point to the flexibility with no financial commitment going forward, again the low payment and flexibility really should drive demand in tough times. With Brigit, thinking about liquidity solutions, getting up to \$250 in between paychecks, helping you understand how to save your money and maybe earn more along the way all of those things are -- will help keep the business resilient and countercyclical.

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

Anthony Chukumba^ Mitch, thanks for all your help over the years. It's been great working with you through good times and bad. And Fahmi, congrats on the promotion and look forward to continuing to work with you. And also congrats on the strong start to the year. So my question -- so first question, you mentioned in the Rent-A-Center business, sort of exiting or cutting back on some lower-margin products. What specifically were those products and why were they lower margin? I'm assuming it's like just higher lease charge-off rates, but if you could just give a little bit of color on that?

Fahmi Karam^ Sure, Anthony. So on the Rent-A-Center side, those products mostly were mobile phones, handheld devices, but mostly mobile phones. Yes. To your point, we just weren't seeing the loss performance. The profitability wasn't there. A lot of demand for those types of products, obviously but we just have to filter that demand into, hopefully, furniture and appliances, which have better losses and better profitability.

So we thought it was good use of trimming the product line. It does have a little bit of a near-term headwind as far as deliveries go and maybe gross profit. But longer term, we think it will be EBITDA positive for us to eliminate those kind of low profitability type products.

Mitchell Fadel^ Yes. I think the other thing I'd add to that is, it was an easier decision too, Anthony. When you think about the two kind of self-induced reasons, we've gone from slightly positive to slightly negative same-store sales at Rent-A-Center at minus 2%. The underwriting -- tightening the underwriting and then the products -- as you tighten the underwriting, we're going to approve a whole lot less of those phones anyhow because they're at a high loss rate. So they kind of go together, tightening the underwriting and getting rid of those.

And the other thing that made it easier was that mobile phones and mobile devices are really an important product for Acima, and they do well with them. They don't have that loss problem. You need that difference in the customer. The Rent-A-Center customers is a step below income level-wise and even credit score-wise than the Acima customer, right?

So you need that step-up. And so basically, we're putting that business over in Acima. And at this point, when someone at Rent-A-Center wants a mobile phone, we're trying to get them over to Acima to get their mobile phone where they're used to underwriting for that particular product. And not many of the Rent-A-Center customers will get approved for mobile phones at Acima, but a few will. But we really need that customer to be a little higher up.

I guess my point is, it's not like you can't lease mobile devices. You can at the Acima level, but what we found is, at the Rent-A-Center level, it's not the best product. And for those few customers at the Rent-A-Center level that should get approved, we're trying to get them over to Acima. So that's that whole strategy.

Anthony Chukumba^ Got it. And just to confirm, so essentially, what you're saying is because that Acima customer is generally a higher income customer, then if they're approved for a mobile phone, there's probably going to be a lower lease charge-off rate because they are a more (inaudible) customer. Is that the right way to kind of think about it at a high level? I don't mean to belabor the point.

Mitchell Fadel^ Yes. No, you're right. Our mobile phone category at Acima performs. So you can rent them. You just need to be a little higher income level than the Rent-A-Center customer.

Fahmi Karam^ The approval rates that we have on -- the Acima for mobile devices is going to be pretty low because of that risk. But for those that we do approve and book, it performs in line with our expectations, and we can make some money out of it.

Mitchell Fadel^ Of course on a phone, you can have a low approval rate and still do a lot of business because everybody has -- everybody always wants a new phone, whereas -- unlike furniture and a refrigerator, you can do so much more with phones. You can have a low approval rate. You can really filter through and still do a lot of business. But it's just a better business for Acima than it is for Rent-A-Center.

Anthony Chukumba^ Well for whatever it's worth, I'm sticking with my iPhone 14, but thanks for the...

Mitchell Fadel^ I would have too, Anthony, if mine didn't end up in the pool last year. So I would have stuck with my iPhone 10, but...

Operator^ The next question comes from the line of John Rowan with Janney.

John Rowan^ Mitch, I'll offer my congratulations on a good career. It's certainly been quite a long time and it's been a lot of fun.

Mitchell Fadel^ Thank you. It's been a lot of fun for me, for sure.

John Rowan^ So just one -- I guess one housekeeping question first. Just looking at kind of the non-GAAP table and what goes back into it, where should we expect things to change going forward? I'm assuming, with the CFPB matter settled and obviously the Brigit transaction behind us, those two line items are significantly reduced or kind of go away entirely. It's one of the bigger chunks out of the special items that were called out.

Fahmi Karam^ Yes. John, that legal matters line item that you're referring to in the table covers more than the CFPB matter. So you'll still see it there as we work through some of the other cases that, that relates to. Yes. We're kind of winding down some of the adjustments related to the Acima acquisition just to ramp up some of the adjustments for the Brigit acquisition in that reconciliation. So that will take some time for us to work through. But as far as the legal matters go, we still are dealing with a couple of other cases. So you should see that accrual move as we progress on those claims.

John Rowan^ Okay. Then, just maybe one other kind of slight angle change on the tariff question. I've been around long enough to know that there has always been a waterline where an item requires financing, right? It used to be \$300, right, where anything below \$300 was really more of a cash purchase for your customer. Above that really required some type of financing. Is there any possibility that tariffs, whether or not they cause

price inflation of goods, can bring customers back into the fold because they require financing now? And maybe \$300 number is a really old number. Is there kind of an updated number where that cash purchase line change -- that cash purchase line is for the consumer?

Mitchell Fadel^ No. That's a good question, John. And \$300 is still about the ballpark of where we do business at, \$300 and above. So you're still spot on with that. I think you're spot on with the point that especially on electronics, the deflation we've seen in TVs since they -- well we've always seen a lot of deflation in TVs, right? Then they went up with Covid supply chain problems. And now they've kind of cratered again on deflation.

So any increases there, I dare say would help us. To rent more -- again if you go back to we can add \$1 or \$2, we can add a month or two and easily still make it affordable for the consumer, so yes, I think it's a tailwind. And people don't -- people hesitate to believe our recession-resilient story. I think eyes roll when we talk about it, but we have a 40-year track record, or maybe I have a 40-year track record, but Rent-A-Center has a 50-year track record through different economic times.

And I mentioned in my prepared comments, look at 2008. I mean this is a business that's not only resilient, but outperforms in tough times. You're seeing it with trade-down right now at Acima. Fahmi mentioned, we expect -- the first quarter got stronger as it went on, as the economy weakened. And he talked about low-double-digit growth as the quarter ended, and then April performed the same. So we're looking at low-double-digit growth, which is actually an acceleration from the beginning of the year at Acima. So -- and Rent-A-Center being minus 2% is more self-induced on underwriting and those products we took out, like I mentioned. So this is -- in so many ways, this is a recession-resilient story.

There's a lot more -- with all the things out there right now including the uncertainty, there's a lot more tailwind there for us than headwinds. And even the uncertainty is a tailwind in that if the consumer is uncertain, well why would you go take on debt? Why wouldn't you just lease it and see what happens? And that's what we've seen in the past. I believe that's what we'll see again and we're already seeing it. So I think your question is a good one. There's -- it could benefit us a whole lot more than it could ever be a headwind.

Operator^ Your next question comes from the line of Bill Reuter with Bank of America.

William Reuter^ Two hopefully quick ones. The first, the 70% to 75% of products assembled in the U.S., I was wondering if that was specific to Rent-A-Center or if that was across the industry. I was kind of wondering whether you had talked to your customers on the Acima side and knew whether some of them were manufacturing more in China and may have indicated that they will be pushing through price increases.

Mitchell Fadel^ The number I was referring to was a Rent-A-Center number of what we buy versus knowing everything that our partners buy.

But I can tell you talking to some of our bigger partners at the Acima side that there's not a lot of -- a lot of people have gotten out of China over the last few years anyhow. Vietnam has become the bigger place for getting furniture kits made or different furniture.

So I think Acima is going to be similar numbers without a lot of risk to tariffs, but the numbers I was quoting was Rent-A-Center maybe -- and we think it's modest at Acima as well.

We're not hearing anything yet from any of our larger partners about any big scare on tariffs.

It's certainly not the furniture guys.

We just met with one of our -- well we met with two of our larger furniture partners in the last couple of weeks, and not a whole lot of concern on their end that prices are going to spike.

William Reuter^ All great to hear. Then, secondly, given the integration of Brigit, would you say that you're currently kind of in a period where you're not looking at much M&A as you kind of move towards that 2x target? And that's all for me.

Fahmi Karam^ Sure, Bill. I think that's a fair way of looking at it. I think we've got a lot of room to go between integrating Brigit, cross-collaborating with Rent-A-Center and Acima, a lot of different initiatives that we have in-house, whether it's on the rentacenter.com and the digital channels and the consumer-driven approach at Acima. I think we have plenty in front of us to hit our growth targets and plus some. Then, with this level of uncertainty in the market, it definitely makes M&A even tougher. So I think that's a fair comment.

Operator^ (Operator Instructions) Your final question comes from the line of Carla Casella with JPMorgan.

Carla Casella^ I'm sorry if you answered this. I had to jump on a few minutes late. But my question is related to the early buyout, the trend in Q1 versus last year. And as we're kind of starting to near the end of the tax refund season, any color you can give us on what you're seeing?

Fahmi Karam^ Sure. So really both segments saw an uptick in buyout activity year-over-year. It was more pronounced on the Rent-A-Center side than the Acima side, at least compared to our expectations. But both of them -- when you look at activity year-over-year, tax season got off to a slow start, probably a week or so delayed. But by the end of March, we had caught up -- we got caught up. And I would say buyout activity was higher year-over-year, and you can see that in our gross margins at really both segments.

Carla Casella^ Okay. Great. Then, just any additional consumer trends either pre-tariff, or are you seeing any major differences between your stores and your partner stores in terms of just traffic?

Fahmi Karam^ I haven't really noticed anything on the traffic side. I would characterize the state of the consumer as pretty stable. We haven't -- despite all the other kind of headlines and noise that we've gone through, I would say it's been pretty stable over the last few quarters as far as their behavior, both on the demand side and on the payment side.

If you look at our numbers, delinquencies are stable, flat to down in both segments. Losses improved sequentially and year-over-year in both segments and still doing that with growing Acima at a double-digit clip. So again mixed signals on the macro and the consumer. Tariff and inflation is potentially there, but you still have low unemployment and some wage growth kind of offsetting some of those things. So I would say based on our underwriting, based on what we're seeing to date, I would say the consumer is relatively stable.

Mitchell Fadel^ And for us, I mean with the benefit of trade-down, we're going to continue to see great traffic, especially at Acima. And even from a Rent-A-Center standpoint, we haven't seen any change in consumer behavior. I mean if we had not tightened underwriting and still were running mobile devices, we'd have had positive same-store sales again. But we just thought it's more prudent to get rid of some of those high loss items. So no change in consumer behavior at all that we're seeing. If anything, it's positive from a trade-down standpoint.

Carla Casella^ Okay. That's great. If I could just have one follow-up from Bill's question, it sounds like you've got a lot of internal opportunities, collaboration for growth. Any new wins or losses we should be watching for potential for '25, '26 on the Acima side in terms of customer wins or losses?

Fahmi Karam^ Yes. I think based on what -- the momentum that we saw throughout the quarter and into the second quarter results, I think that speaks for us taking more share as the year goes on. So I think nice regional wins. We had a couple last quarter and expect a few more this year.

So no, I think the pipeline is still very strong. We still have a few of the enterprise accounts that we're talking to and still in RFPs. So nothing to announce formally today. But yes, you can see it in our GMV numbers and the trends that we highlighted that we are still taking share.

Mitchell Fadel^ Yes. The regional wins have been strong, and nothing to announce on the real big enterprise accounts, but continue to win regionally, obviously with the low-double-digit growth.

Operator^ Your last question comes from the line of Kyle Joseph with Stephens.

Kyle Joseph^ Most have been answered. But just want to get your thoughts on underwriting. I know you addressed, on the Rent-A-Center side, some tightening last year or maybe end of '23 that seems to be having its desired effects. I know on Acima, I think you guys tightened all the way back to, was it 22? But just give us a sense for where you are on underwriting, given kind of some of the macro changes we've seen.

Fahmi Karam^ Yes, Kyle, to your point, I think we've been on the conservative side of underwriting, and our posture has been relatively conservative now for a couple of years, which actually gives us even more confidence in the guide going forward because we look at our portfolio and compare it to this time last year and even further back and feel really good about the metrics that we're seeing in the current portfolio because of our underwriting tightening that we're doing.

So as we mentioned, we're continuously looking at it and finding both areas of opportunities and areas of potential risk and continuing to tweak it, and I would say still being very conservative in our approach. We have a little bit more flexibility on the Acima side to be more conservative because of the trade down.

As we mentioned, applications are up 10% at Acima. The approval rate overall is flat. But if you break it down, we're tighter on the higher risk segments and probably slightly up on like furniture and appliances. So we are finding our spots where we can be aggressive, and we're finding other spots where we can be conservative. So we feel like we're pretty well balanced but taking a conservative approach in underwriting, given the uncertainty in the market. But we think we can hit our low-double-digit growth at Acima and continue to bring our losses down and improve margins.

If you think about our margins for the first quarter, year-over-year, they're up 170 basis points. We expect that trend to continue really for the rest of the year, if not expand, as the portfolio continues to grow. So look, if things get a little bit better, we can always relook at underwriting. But for now we're going to keep it on the conservative side.

Mitchell Fadel^ Yes. When you think about that low-double-digit growth on top of last year's growth – what'd you say, the first quarter two-year stack was, in your prepared comments, 29%?

Fahmi Karam^ 29%.

Mitchell Fadel^ 29% 2 years -- and lowering losses with 29% 2-year growth is -- that's some impressive work by the team. That's all I'll say. Then, on the Rent-A-Center side, lowering losses and only sliding 2% on same-store sales in this environment, and we'd expect the second quarter to be similar. By the latter half of the year, we'd expect that to improve, the minus 2%. So that's some impressive stuff when you combine it. And I think trade-down is one of the reasons we can do it, and the resiliency of our business model. We can do it because we're getting more of the -- what you might call the topside customers coming into the category, especially at Acima.

So very positive stuff there, Kyle.

Kyle Joseph^ Got it. Mitch, enjoy retirement. And Fahmi, look forward to working together -- look forward to working together still.

Operator^ I will now turn the call back over to Mitch Fadel, Upbound CEO, for closing remarks. Please go ahead.

Mitchell Fadel^ Thank you, Operator. Thank you, to everyone who joined us today for our first quarter update and our outlook for the balance of 2025. I want to thank everybody for everything over the years. And as I sign off, I'd like to thank all of you and all my colleagues and friends who have helped -- really helped build Upbound into the leader that it is today.

I think we're -- this is a real high note. I knew the company was in great shape when I announced my retirement. It's only gotten better since then. I know Fahmi and the team. I wish them the best of luck. I know they're going to take it to even a higher level than I was able to do.

So I sure appreciate everybody. And I know I'm going to miss everybody, but I'll be watching from the sidelines. Thank you, everybody.

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