

Upbound Group, Inc. (Q2 2025 Earnings)
July 31, 2025

Corporate Speakers:

- Jeff Chesnut; Upbound Group, Incorporated; Head of Investor Relations
- Fahmi Karam; Upbound Group, Incorporated; Chief Executive Officer, Chief Financial Officer

Participants:

- Vincent Caintic; BTIG; Analyst
- Bobby Griffin; Raymond James; Analyst
- Brad Thomas; Keybank Capital Markets; Analyst
- Hoang Nguyen; TD Cowen; Analyst
- John Rowan; Janney Montgomery Scott; Analyst
- Bill Reuter; Bank of America; Analyst
- Anthony Chukumba; Loop Capital Markets; Analyst

PRESENTATION

Jeff Chesnut^ Good morning. And thank you all for joining us to discuss Upbound Group's performance for the second 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, we have Fahmi Karam, our CEO.

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 Fahmi.

Fahmi Karam^ Thank you, Jeff. And good morning, everyone. Before we review the results of another strong quarter, I'd like to lead off by emphasizing our excitement as we continue to implement our growth strategies and the digital transformation of our company, which will fulfill our mission to elevate financial opportunity for all. As we always have, we will relentlessly work each day to turn our mission into a reality.

By capitalizing on our unique strengths, including our differentiated insights into a large and growing consumer segment, our industry-leading capabilities, and our team of dedicated, passionate coworkers across the enterprise. We're focused on helping financially underserved consumers with the financial solutions they rely on, building off our lease-to-own foundation while adding new products and services like earned wage access and credit building that strengthen our relationship with our customers and enhance the value we deliver to them.

Let's move to slide four and talk about how those goals translate to our business. Today we serve our customers by leveraging a platform that generated approximately \$4.5 billion in revenue and roughly \$500 million in adjusted EBITDA over the last 12 months. Upbound's size and scale provide a stable base for growth in a durable competitive position supported by a vast number of consumer data points that we accumulate each day when serving our millions of customers. That's the common thread that connects each of our segments, and we're leveraging that data to deepen our understanding of our customers' needs and guide the evolution of our business.

As we capture, catalog, and unify the data across the organization, we will draw out new insights that inform our strategy, shape our product roadmap, sharpen our marketing efforts, refine our underwriting decisioning, and ultimately best position the business for sustained growth and success across economic cycles. With that background, let's move to the key highlights from the second quarter of 2025, as well as the discussion of the progress we've made on our priorities for the year, then I will share a more detailed review of our financial results and our outlook.

Slide five shows some of the key drivers of our performance in Q2, which I'm pleased to report led to another strong quarter for the company. These results demonstrated our discipline in protecting our balance sheet with prudent risk management decisions while growing our digital assets at industry-leading levels and expanding margins.

A seamless strong run of GMV performance continued this quarter, with GMV up 16% year-over-year, representing its seventh consecutive quarter of GMV growth. Its convenient and flexible platform continues to outperform with both of its main stakeholders. Merchants know Acima as a trusted partner whose API-first integration, real-time underwriting, and embedded sales enablement lift conversion rates.

Consumers appreciate Acima's easy process and strong customer service, which is why our rate of returning customer transactions continues to rise, as they leverage the Acima marketplace for their future shopping needs. Compared to the second quarter of 2024, applications were up nearly 20%, and the approval rate was down more than 300 basis points. The growth in GMV in applications was distributed across Acima's broad set of retailer relationships and product categories.

The top 10 merchants represented about 31% of total GMV, consistent with the prior quarter. Segment revenue grew 12%, and adjusted EBITDA grew 15%, in part due to operational leverage as we continue to scale the business. Acima's lease charge-off rate

improved 30 basis points from the year-ago quarter, which also contributed to the 40 basis point lift in EBITDA margin.

Moving to our new, fast-growing segment, Brigit. Brigit continues to thrive with nearly 40% revenue growth, powered by another quarter of over 20% growth in subscribers versus the second quarter of 2024. The net advance loss rate of 2.6% came in relatively flat sequentially from 2.5% from the first full quarter and 20 basis points higher from a year-ago period.

Brigit's second quarter customer acquisition costs were in line with expectations, as the team tested marketing investments across new channels with new messaging. Brigit's adjusted EBITDA margin was nearly 28%, above our expectations due to the timing of marketing spend and other cost efficiencies in the quarter. Our customer acquisition efforts will significantly expand across the balance of the year as we look to further increase subscribers heading into the holiday season. As we make our planned investments in our marketing and customer acquisition efforts in the second half, we expect EBITDA margins will decrease to the low teens range.

Overall, we are extremely pleased with Brigit's performance from a top-line growth perspective, as well as its ability to generate meaningful EBITDA margins and free cash flow. Integration is on track with cross-selling efforts improving and gaining traction every day while we begin integration plans on data sharing and utilizing cash flow underwriting in our lease-to-own segments.

At Rent-A-Center, same-source sales declined by 4% in the quarter, consistent with our expectations as a result of tactical decisions we made in the past on our last call. The intentional adjustments to our product lineup combined with the impact of our underwriting tightening efforts limited top-line growth in the second quarter. Rent-A-Center's lease charge-off rate of 4.7% was 10 basis points higher sequentially, partly as a result of the denominator effect from lower quarterly revenues.

These impacts collectively produced a 1.7 percentage point decline in adjusted EBITDA margin compared to last year. One of the operational metrics we do monitor is the number of deliveries, which ultimately underpins the overall lease portfolio value. I'm pleased to share that our delivery trends have stabilized across the quarter compared to the prior year, providing a level of foundation that we will build upon moving into the second half of the year.

As we roll out new initiatives to spur customer engagement at Rent-A-Center with a focus on our digital and online capabilities, we will continue to prudently manage our risk profile to deliver responsible and sustainable results. Even with the operational and underwriting changes, the Rent-A-Center segment remains a cash generator, funding our reinvestment in our businesses and deleveraging. With year-to-date free cash flow conversion up year-over-year compared to the first half of 2024 and in line with last year on a dollar basis due to improved account and expense management.

Let's move to slide six and recap our consolidated financial results in Q2. Second quarter revenue of \$1.16 billion was a 7.5% increase from the year ago period, mainly driven by strength at Acima plus the addition of Brigit. Upbound delivered \$133 million of adjusted EBITDA, which was a list of 7% against Q2 2024.

An adjusted EBITDA margin of 11.5%, which was roughly flat to the prior year quarter, but up 80 basis points sequentially. Non-GAAP diluted EPS was \$1.12, which is 7.7% higher than a year ago quarter. Our non-GAAP EPS included a 2.5% benefit related to stock-based comp and the associated tax impact tied to our recent CEO transition and certain open executive roles that we are actively working to fill in the near term, which will normalize stock-based compensation in future periods.

The second quarter results exceeded the midpoint or high end across every guided metric. Upbound also recorded a net usage of free cash flow of \$10 million in the second quarter as we continued to support the growth initiatives at Acima and Brigit. Year-to-date free cash flow of \$117 million, representing an improvement of more than three times the prior year.

In terms of lease charge-offs, our disciplined underwriting has enabled the company to serve additional customers profitably while achieving lease charge-offs within our target range. On a consolidated basis, Upbound grew year-over-year second quarter revenue, adjusted EBITDA, and non-GAAP diluted EPS by at least 7% each, while delivering a lease charge-off rate that appropriately balances our risk and return objectives. Our growth businesses in Acima and Brigit continue to outperform our expectations.

Acima is growing mid-teens and expanding margins. Brigit is growing its top line, nearly 40% this quarter, while introducing new products to our customers and testing new marketing channels. We're really proud of these results and our ability to operate successfully despite a difficult market backdrop.

Our cash flow engine, Rent-A-Center, is under top-line pressure due in large part to our underwriting tightening as our core consumer continues to be under pressure, fighting against the accumulation of higher prices for the past couple of years. These actions reduce deliveries, but we are still able to produce mid-teens EBITDA margins and generate significant free cash flow. Across the quarter, we did not see a direct impact to our business from the recent federal economic policy changes, but we're ready for that change if and when it starts to ripple through the economy.

For our consumers, we expect there to be some puts and takes. Considerations like higher prices and enhanced requirements for certain governmental assistance programs like SNAP and Medicaid, in addition to the resumption of student loan payments, may have a more pronounced impact on lower-income consumers. But unemployment and gas prices remain low, and recent legislation may put more money in our consumers' pockets through new tax policies covering tips and overtime.

Overall, our core consumers remain resilient and have grown accustomed to a volatile market over the past couple of years. They are constantly evaluating spending priorities and recalibrating their spending behavior. We see it every day, and they're still spending, but being cautious on bigger ticket items, managing bills to align with their cash flows, looking for discounted deals, and focusing on making their dollars deliver more value than ever before.

We are being equally as vigilant, and we continue to refine our decisioning across the enterprise based on early performance indicators. We're confident that our model and our consumer solutions will help us succeed no matter the economic backdrop. We're ready to help our customers navigate the shifting consumer landscape with our new liquidity solutions, and our flexible lease-to-own solutions that provide customers with access to products they want and need through low-payment structures with no long-term financial commitment. We are ready to welcome new customers as we grow our reach, and we will continue to support our current customers as their needs evolve.

On slide seven, I will share an update on the strategic priorities for 2025 that we outlined at the beginning of the year. At Acima, our ongoing digital investments passed a major milestone in the second quarter with a debut of Acima's new website, which features an updated look and feel with more streamlined navigation to make the customer experience more enjoyable and efficient.

During the development phase, we also migrated the site to a new e-com platform, offering more scalability and flexibility for future enhancements. And that scalability is especially important as we began to pilot Acima's in-store virtual lease card in the quarter, which really opens up a universe of opportunities for consumers and retailers. Now, a consumer with the Acima app can walk into any retailer selling durable goods and choose an item, and the leaseability engine in the app will confirm whether it's a lease eligible item or not in real time in the cart.

The shopper can then tap to pay with Acima's virtual lease card while bypassing the usual waterfall of credit options, making leasing universally accessible on a foundation of safety, speed, and privacy. We believe initiatives like these will create more scale and efficiency, driving margin improvements in future quarters. In addition, these investments will keep existing customers and merchants engaged and returning, as we will be able to send more and more customers back to our merchants, reinforcing Acima's value to our retailers.

Merchant growth is also part of Acima's growth strategy, and I'm pleased to share that in the quarter we were able to extend one of our largest accounts to a new five-year agreement with a deeper mutual commitment that now gives Acima LTO exclusivity in all states that allow lease to own. Our technology and commitment to innovation have positioned Acima to continue increasing its market share and showcasing Acima's growing capabilities while serving as a marquee to attract new merchants of all sizes.

Let's shift to Brigit, where our focus on innovation continues to power subscriber growth. To accelerate our momentum, Brigit is expanding its marketing efforts into additional customer acquisition channels using a test and learn approach. We expect to amplify our marketing efforts across the balance of the year as the cash-advanced product is expected to be more relevant than ever for our core consumers, especially if the macro environment worsens.

Brigit is also innovating on the product side and is currently piloting a line of credit offering with a loan size rating of up to \$500, which is twice the current \$250 top end of the instant cash product. It's an efficient alternative for consumers carrying a variety of debt, including BNPL loans, since this is a single product with a payment plan option up to nine months.

As we continue to cross-sell Brigit's solutions to our Acima and Rent-A-Center customers, we're excited to feature another product that addresses our consumers' needs for liquidity and financial flexibility. Across the balance of the year, Brigit's priorities will continue to focus on growing the subscriber base by leveraging new acquisition channels and new products, while increasing retention and managing losses. We believe the investments we're making this year in innovation and cross-company collaboration will accelerate Brigit's near- and long-term growth curve.

At Rent-A-Center, we are targeting our investments towards near-term sales enablement efforts to better leverage our existing scale and return to growth. As an example to offset underwriting tightening on the web, we've recently introduced preliminary approvals whereby select shoppers are invited to finish their application in-store, which helps us lift approvals and create store-based relationships while managing our risk profile.

In addition, we're piloting agentic AIs to deliver real-time sales coaching and context-aware suggestions aimed at higher conversion and improved store productivity. The tool keys on contextual markers like shoppers' browsing history to deliver a more personalized interaction, and it leverages those outcomes to improve future suggestions, which we believe will drive higher lease volume.

I'm also pleased to share that last month marked the national launch of Rent-A-Center's Refer-a-Friend Program, which enables our customers who already appreciate the value and flexibility we deliver to become trusted ambassadors who can introduce new consumers to our brand. In return, they'll earn rewards that can be redeemed towards future rental payments. We look forward to seeing these initiatives make a meaningful contribution to Rent-A-Center's growth over the coming quarters.

Collectively, these investments across all of our brands will support our strategic imperative to serve our customers whenever and however they prefer, and that preference continues to migrate to online channels. Today, over 50% of our revenue is through our virtual platforms, and we look forward to driving that even higher in the coming quarters.

Let's now turn to the segment results and then discuss our outlook for the balance of 2025, after which I will take questions. Acima delivered 16% year-over-year GMV growth in the second quarter, another strong result since last year's second quarter GMV grew at 21%.

Together, that's 37% GMV growth on a stacked two-year basis. This quarter's GMV balance equaled a seamless stimulus fueled high water mark in Q2 of 2021, but this result wasn't driven by an unprecedented macro backdrop. It was powered by Acima's methodical and multi-year effort to enroll new merchants while boosting productivity at existing retailers.

Those efforts paid off with a record number of lease applications, which was nearly 20% higher than the year ago period. And as more consumers discover Acima's convenience, service, and flexibility, we're seeing more returning customers visit Acima's marketplace, where they can start their shopping journey with a diverse lineup of leading national retailers. The Q2 GMV from Acima's marketplace was up over 130% year-over-year, and it was up more than 30% sequentially.

Additionally, Acima's mix of returning customers increased from a year ago and now exceeds 40% of GMV. As we continue to grow our customer base, Acima remains well-diversified from a merchant standpoint, with just over 31% of the GMV this quarter coming from the top 10 retailers. Our largest product category, furniture, represented less than 40% of GMV in the second quarter, slightly less than last year.

As that category continues to remain under pressure, the Acima team has done an amazing job diversifying our GMV into higher growth segments, like wheel and tire, jewelry, and direct-to-consumer. When the cycle turns and demand for furniture, including mattresses, normalizes, Acima will be well-positioned to continue its trend of double-digit GMV growth. Acima revenues grew 12% year-over-year, which was the sixth consecutive quarter of double-digit growth, and adjusted EBITDA was up 15% from a year ago.

Adjusted EBITDA margins were up 40 basis points from Q2 of 2024, driven by two primary factors. First is that Acima sustained GMV growth as leveraging the platform's economies of scale to realize margin enhancement. That's supported by 100 basis point improvement in the OpEx efficiency ratio in the segment.

Second is Acima's least charge off rate of 9.3%, a 30 basis point improvement year-over-year, as the growth in applications has been able to Acima to drive GMV while maintaining a disciplined underwriting posture.

Let's move to slide 9 and recap Brigit's performance in the second quarter. The Brigit team finished with more than 1.3 million paid subscribers at quarter end, which was a 24% increase from a year ago period and a 7.3% increase sequentially. ARPU, or average revenue per user, was \$13.45 on a monthly basis, a 12.5% increase from the second quarter of 2024, and a 4% lift sequentially. ARPU expansion reflects deeper marketplace

engagement, expedited transfer revenue, and a mix shift to the premium subscription tier. Brigit originated over \$350 million in advances this quarter, of 21% year-over-year and a record high in both number of advances and total dollars advanced.

This performance underscores a strong product-to-market fit we have achieved and emphasized the relevance of Brigit's offering for today's financially constrained consumers. For the second quarter, Brigit's cash advance loss rate was 2.6%, defined as cash advance losses divided by total originations in the period. In terms of financial metrics, Brigit recorded \$52 million of revenue and \$14 million of adjusted EBITDA for the second quarter, with the top line results representing an increase of nearly 40% against Brigit's performance from the corresponding period a year ago.

Subscriptions made up 70% of the second quarter revenue, with expedited transfer fees and marketplace income representing the balance. Adjusted EBITDA margin of 28% was driven by the timing of marketing investments originally planned for Q2 that will now be deployed in the second half of the year.

As I mentioned earlier, we are pleased with Brigit's performance. On a standalone basis, it's our fastest growing and highest margin business, with future cross-selling opportunity that will supercharge growth in the future.

Let's move to the Rent-A-Center results starting on slide 10. As a reminder, last quarter, we combined the Rent-A-Center and franchising segments into a single reporting unit. In the second quarter, the Rent-A-Center segment recorded \$467 million of revenue, down 7.1% from the year ago quarter, in part due to the sale and consolidation of 110 stores in 2024. This outcome was consistent with the mid-single digit step back we highlighted on our last call.

Same store sales were down 4% year-over-year, reflecting fewer deliveries in the second quarter relative to the prior year period. This resulted in part from our decision in late 2024 to tighten underwriting and exit certain merchandise categories, coupled with softer demand year-over-year for furniture, which is Rent-A-Center's largest category. Collectively, furniture and appliances represented approximately 67% of the mix, which is consistent with a year ago and sequential periods.

Rent-A-Center's adjusted EBITDA was \$68 million, down 17% in the second quarter of 2024, due primarily to less rental income off a smaller lease portfolio value. Rent-A-Center is a business where scale matters and we're focused on turning around the trends in the lease portfolio value, while maintaining our disciplined approach to risk management.

As I mentioned earlier, I am pleased that Rent-A-Center deliveries, which are an early indicator of future lease portfolio value, have stabilized over the past couple months. As we worked -- as we worked to better balance the portfolio size, the loss rate for the second quarter finished at 4.7%, which was up 50 basis points from the year ago period and 10 basis points sequentially.

Rent-A-Center's adjusted EBITDA margin was 14.6%, which was down 10 basis points sequentially and 1.7 percentage points from the year ago period. As we manage through a difficult operating environment, we believe our investments and our digital capabilities will drive portfolio growth in a responsible way and will help drive sustainable margin improvements over the near and medium term.

Let's cover our liquidity and capital allocation policies on slide 11. We finished the second quarter with \$276 million in liquidity between cash on hand and our revolver availability. Our net leverage ratio was approximately three times on June 30th, generally consistent with the end of the first quarter.

Our business has generated approximately \$117 million of free cash flow year-to-date, up substantially from \$34 million in the prior year. That cash flow supports our capital allocation priorities, which remain unchanged from our guidance across prior quarters.

First, we will continue investing across our business by elevating our current capabilities and developing new digital first products to better serve our customers and merchants while advancing our competitive position. We're also focused on strengthening our balance sheet with an ongoing focus on deleveraging as we continue to work towards our target leverage ratio of two times.

Finally, although we are going to be very intentional to drive further growth in all of our brands, we also remain committed to supporting our regular dividend, which is \$1.56 per share annually for a yield of about 6% at current prices. We are confident that our disciplined capital allocation strategy will fund responsible and profitable growth while we create long-term shareholder value.

Let's shift to our financial outlook beginning with an update on tariffs and consumer behavior. While the timing and levels of the potential tariffs are uncertain, we can say two things with confidence. One is that the Rent-A-Center business has seen no tariff-driven merchandise price increases as of today, though some suppliers have signaled that pricing actions may follow depending on the final outcome of trade policy negotiations. The other is that both of our lease-to-own businesses are poised to protect their margins using the operational levers we discussed last quarter.

With modest adjustments to the weekly payment rate or the overall term of the lease, Rent-A-Center and Acima can respond to cost increases at a level that protects both our volumes and maintains consumers' low weekly payments. To date, we have not seen any change in consumer behavior that we can pinpoint as being tariff-related, but we monitor our KPIs daily so that we can respond in real-time.

Additionally, it is possible that macro forces could result in higher prices for a period of time. If this dynamic puts pressure on consumer liquidity, it could make the value prop of our lease-to-own offerings more relevant to more people, creating another wave of trade down. Similarly, Brigit's instant cash and financial wellness offerings may see

incremental demand against that backdrop. We are prepared to welcome new customers and merchants while supporting our current relationships with our expanding lineup of financial solutions.

As we consider our guidance, we are aware that the impact of near-term tariff and trade developments are difficult to predict. However, we know that our business is durable and resilient, with growth opportunities available across all economic cycles. With our strong start to the year and with the continued momentum in Acima and the Brigit segments, we are tightening the range of adjusted EBITDA to \$515 million to \$535 million and raising the mid point of our full-year non-GAAP-diluted earnings-per-share guidance by tightening the range to \$4.05 to \$4.40 per share.

In terms of the third quarter, we expect revenues ranging from \$1.05 billion to \$1.15 billion, adjusted EBITDA of \$120 million to \$130 million, and non-GAAP EPS of \$0.95 to \$1.05.

Rent-A-Center's revenue should follow the same seasonal sequential path as 2024, with a mid-single-digit step back in Q3 compared to Q2. With EBITDA margins down slightly sequentially despite an improvement in loss rates, we expect Acima to deliver low double-digit GMV and revenue growth, with EBITDA margins slightly better than a year ago period, and lease charge-offs are expected to remain stable year-over-year.

Brigit's Q3 revenue should be slightly up sequentially, with expected low-teens EBITDA margins and a net advanced loss rate in the 3% area, as new models are refined, new campaigns are run, and new products are tested.

For corporate costs, we expect the impact to adjusted EBITDA in Q3 to be consistent with Q2. Also at the corporate level, our net interest expense in Q3 should be in line with Q2. 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 58.7 million shares, which includes the shares issued for the Brigit acquisition.

During the second quarter, we continue to have discussions with counterparties related to the various pending legal and regulatory matters, including the previously disclosed multi-state AG matter and the McBurnie California class action related to the legacy Acceptance Now business. After evaluating the status of our negotiations under the relevant accounting guidance, we recorded an additional accrual of \$31.7 million in the second quarter.

Last week, after the quarter closed, Upbound reached an agreement in principle for \$14 million to settle the McBurnie matter, which was substantially reserved for as of June 30th. The McBurnie settlement in principle remains subject to finalizing a definitive settlement agreement and approval of the class settlement by the trial court. The balance of the accrual relates primarily to the multi-state AG matter, and we will continue to evaluate and update the accrual estimate each quarter based on the current status of the matter.

Let's wrap up with some key takeaways. There is no shortage of data points about the economy and our consumers, but it is important to separate the headlines and general consumer sentiment from our portfolio and our core consumer. The macro environment is uneven with some mixed signals, but our business is fundamentally strong and built to succeed across cycles. Our customers are accustomed to financial pressures and are resilient and adept at seeking out solutions that reduce those pressures.

That's where Upbound's products, which offer accessibility, flexibility, and convenience, can and do make such a difference. That's why Acima has logged seven consecutive quarters of impressive GMV growth with expanding margins, and it's why we continue to invest in new technologies and capabilities to sustain that growth as conditions change.

The Rent-A-Center business is working through a purposeful pullback in underwriting and product categories, but maintaining mid-teens margins and producing reliable free cash flow. The Brigit platform continues to grow, and we believe its new marketing channels and innovative new products will position it for growth in subscribers, revenue, and earnings.

Overall, I'm tremendously excited about the results we've achieved, and even more so about the opportunities ahead of us as the company continues to transform and focus on digital asset-like growth opportunities. Our business and our teams are fully aligned to our mission and strategy, which we know will help our consumers and our merchants be successful and will create sustainable value for our stakeholders. 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 Vincent Caintic at BTIG. Your line is open.

Vincent Caintic^ Hey, good morning. Thanks for taking my questions. So, great results and nice to see the improvements continuing in Acima and Brigit. Wanted to talk about Rent-A-Center. And you described that there were adjustments made last year and those are still flowing through. So, I was wondering if you could maybe, first in the near term, talk about if it's possible to describe the drag to results from those adjustments and maybe also from the product categories you have. So, I know, like, there's still a lot of exposure to furniture and appliances.

And then if you could talk about the long-term of Rent-A-Center, what's your view of the long-term growth potential? Could it be -- what level of growth should we be expecting once all of this normalizes? Thank you.

Fahmi Karam^ Good morning, Vincent. Thanks for the question. Yes, look, I think as we discussed last quarter on the Rent-A-Center side, we did do a purposeful pullback on the credit side and tightening around underwriting. And that's going to have an overall impact on revenue and EBITDA as we saw in the quarter, consistent with how we guided at the beginning of the year and how we guided last quarter. So, a couple factors, right? You have a reduction of 110 stores or so this year versus last year, the underwriting tightening around especially new customers coming through the web.

And then the product categories that we talked about around mobile phones mostly, which is another form of underwriting, all of that has impacted the Rent-A-Center results. And in this environment, you feel like taking a more conservative approach in underwriting is prudent. As we've talked about, our consumer, generally, is resilient but is still under pressure just from the accumulation of higher prices over the last couple years.

Your question around how big of a drag is it on the results, without these moves, I would say without the tightening on the underwriting and the product categories, we would have been flat to maybe slightly up on the same store sales basis. We are going to lapse some of these changes starting in the third quarter. From a general underwriting standpoint, we started to tighten midway through the third quarter.

The product categories really were eliminated in the middle of Q4, so we'll start seeing some lapping of that underwriting in the second half of the year. But we're not waiting for that. As I mentioned on the call, we have done some initiatives to try to help drive more deliveries without loosening up on the underwriting. And one way we're doing that is taking folks who start on the web and who would normally be declined online and asking them to come into the store where we can have our store co-workers do more of a formal interview with the customer. Our approval rates are much higher in-store, and we're seeing some traction there, especially in furniture and appliances, when someone walks in to one of our stores.

So, the good news is we have losses under control, up 10 basis points sequentially. Delinquencies are flat year-over-year and improved sequentially. So, I feel like we just got to find our pockets to drive deliveries, and we're doing that. So, in this environment, being down four percentage points or four points on the same store sale basis is -- we think it's prudent to take a conservative approach to underwriting.

And then long term, the opportunity for Rent-A-Center, we've talked about it, is how do we deliver that omnichannel experience, and how do we become more of a digital e-commerce player while still leveraging the store capabilities and all the benefits we've talked about by having a footprint in the communities, but leveraging all the traffic that we get online and through rentacenter.com. So, our goal is to turn into positive things for sales, hopefully by the end of this year into 2026, and then grow at low single digits going forward.

Vincent Caintic^ Okay. Great. That's super helpful detail. Thank you for that. And then switching over to Brigit, so very nice results this quarter, and your discussion about

marketing investments and new products in the second half of the year. If you can maybe -- if you could describe those marketing investments in more detail, and how much you intend to invest.

And are there other products that might be interesting here because as part of the Upbound umbrella, you kind of want to serve the consumer more fulsomely. So, you talked about the line of credit product. I'm just wondering if you think long term other products might make sense as well. Thank you.

Fahmi Karam^ Thanks, Vincent. Yes. So, very pleased with Brigit overall, very much in line to exceeding our expectations. You know, their performance speaks for itself. I'd say we're also very pleased with just how it fits in with the Upbound Group, even from a team dynamic standpoint. And the collaboration overall has been great. It's been a really good, solid first six months of ownership of the business.

And what the platform has demonstrated is its ability to grow subscribers and really take where its OpEx spend is, whether it's through marketing or R&D. This quarter, the EBITDA margin almost hitting 28% was probably slightly above where we wanted to be in the quarter from a marketing standpoint because we spent a little bit more time doing R&D type work for new products. And we're really excited about that line of credit product that I mentioned, going up a little bit higher than our 250 instant cash product up to 500 and extending the term.

One of the reasons we we're really attracted to Brigit was their R&D capabilities and their ability to listen to the consumer and what the consumer actually wants and needs. And that line of credit product is a direct result in us listening to the consumer and the traction that we've gotten as we've piloted that program has been really, really tremendous. So, the concept, again, is a little bit higher liquidity at 500 with a little bit longer extension of credit over the six to nine-month period.

And we'll test and learn on kind of what gets the best traction and what performs best from a loss standpoint. But we're very excited about what Brigit can bring and some of its R&D and innovation into new products going forward. As far as the marketing goes, yes, we have been very heavily -- historically heavily on social media. We are trying some new channels even across social media like Reddit and other type platforms to see if we can get a better lift there. We are doing things in-store and on-site.

And then are starting to pilot even advertising at the point of sale, whether it's at Rent-A-Center stores or some of the staffed Acima locations, we are going to start putting up some signage there. And we will test and learn and figure out what gets us the best response rate from the consumers. But overall, very excited about what Brigit is doing.

Vincent Caintic^ Okay. Great. Super helpful. Thank you.

Operator^ Our next question comes from Bobby Griffin at Raymond James.

Bobby Griffin^ Good morning everybody. Thanks for taking my questions and congrats on a good second quarter.

Fahmi Karam^ Thanks, Bobby.

Bobby Griffin^ Then I guess first to start, a lot of detail on the different customer segments of your business. Like, can you take maybe this at a high level? Would you call your core customer across the platform stable versus maybe Q1 or versus six months ago to try to connect kind of where the customer is first here?

Fahmi Karam^ Bobby, you're breaking up just a little bit, but I think I got the gist of your question being around the consumer and how it's trended. You know, I would say stable over the last few months, few quarters. Still under pressure, as I mentioned in our prepared remarks. You know, the core Rent-A-Center and maybe the bottom end of the Acima business, that consumer has to deal with high prices and inflation is still high, but there are some puts and takes. You know, on the good side, unemployment is still low. Gas prices are still relatively low.

There is some wage growth and some of those new tax policies that I mentioned around not tipping or not taxing on tips and over time should be net positive to the consumer. But overall, there's still a lot of uncertainty. So, I would say stable as far as just general consumer behavior and strength of the consumer, but we are being very, very mindful of it and still taking a pretty conservative approach from an underwriting standpoint.

And as we look at just the overall portfolio strength at both Rent-A-Center and Acima, as we've been able to tighten our underwriting and look at where our portfolio sits today compared to where it was a year ago or two years ago, the mix has definitely shifted to the upper ends of our risk profile. So, we feel really good about where the portfolio sits and that's just something that we manage day to day. But generally saying, the consumer is pretty stable, as we've mentioned, they're pretty resilient, but still face some pressure and there's some uncertainty in the macro environment.

Bobby Griffin^ Thank you. Hopefully you can hear me a little better now. I actually used stable in my questions so that was perfect Fahmi good guess and I appreciate it. Secondly for me was just kind of on the Acima growth continue to see really strong app growth there and GMV. Understand you guys have been doing some more with the product offering. What are you seeing there from a trade down perspective?

What is it? Just new door growth driving that? What's driving the kind of core merchants leveraging the platform more, more aggressive sales tactics? Is there anything there to better understand really the strength we're seeing across the apps as well as the GMV side of things?

Fahmi Karam^ Thanks, Bobby. Yes, Acima continues to really outperform coming in again this quarter at double digit growth, this quarter at 16% growth. And really impressive when you think about the comp coming into the quarter last year was at 21%,

so 37% on a two-year basis is really impressive growth especially when you consider some of our bigger categories are still under pressure, furniture and appliances.

To be able to hit those growth targets is great execution by the team and also expanding margins, expanding the EBITDA margin this quarter by 40 basis points, last quarter by 170 basis points year over year. So being able to grow while not taking on additional losses and grow the EBITDA margin is really impressive from the Acima team. As far as the growth and where it's coming from, it is a mix as we've said in the past around both new merchants and productivity per merchant.

If I had to bucket it this quarter, I would say the majority actually comes from new merchants we've onboarded over the last 12 months. About 80% of the growth comes from new merchants and about 20% comes from productivity gains. One specific that I would highlight is our direct-to-consumer channel and we consider that new as we add more of those national retailers to our website and to the app.

That direct-to-consumer channel has been our fastest growing part of Acima. It grew 130% year over year and now is over 5% of our overall GMV. So we'll continue to invest in that. It's a returning customer channel today. We haven't opened it up to really new customers yet but there's a lot of opportunity for us to grow that. And as we mentioned returning customers now is representing over 40% of our GMV and a lot of that is driven by our direct-to-consumer in our marketplace.

So it's across the board as we've highlighted in the past. Acima is very diversified from a merchant standpoint, very diversified from a product standpoint. So really the growth is across the board. And as I mentioned when furniture does come back, furniture and mattresses, but demand comes back, Acima will be very well positioned to continue the double-digit growth.

Bobby Griffin^ Thanks, Fahmi. And I guess one last quick one if I can. On the loss ratios in Acima down year over year but they did kick up sequentially and I think you guys were looking for flat when we spoke last quarter. So does anything there or is it just timing or anything we should think about there?

Fahmi Karam^ Most of that, Bobby, is I would say it's more mix. One of our fastest growing segments outside of a direct-to-consumer has been in the jewelry category. That's been growing now a couple quarters in a row much faster than some of our other categories and becoming a bigger and bigger part of the overall portfolio. And that tends to have a little bit higher loss ratio, tend to have a little bit higher 90-day buyout activity which puts pressure on our gross profit margins but also probably ended up being 10-20 basis points higher from a loss ratio standpoint, but still well within our range of losses. And as I mentioned, it trickled down into positive EBITDA margin year over year. So nothing really there, still very much under control.

Bobby Griffin^ Thank you. Best of luck here in the back half of the year. Appreciate it.

Fahmi Karam^ Thanks, Bobby.

Operator^ Our next question comes from Brad Thomas at Keybank Capital Markets.

Brad Thomas^ All right, good morning Fahmi. Thanks for taking the question and we too think these were very good results in a tough environment out there. I wanted to start with a follow-up on Brigit. You all said that you thought revenue would improve slightly on a sequential basis and obviously you gave a very positive framework for how you're thinking about sales and EBITDA over the next couple of years at the time of acquisition. And so I was wondering having owned the business for six months if you could share a bit more about how you're feeling about that outlook potential because obviously it's positioned to be a very significant contributor to sales and EBITDA over time.

Fahmi Karam^ Morning, Brad. Thanks for the question. Yes, as I mentioned very, very pleased with the performance overall, still very much on track hitting our 2025 guide as well as positioning the company to hit the big ramp up in growth in 2026. And as you recall the 2026 number really didn't have any benefit of some of the cross collaboration and cross selling that we have been working on. So we feel like we're well positioned there.

We are being pretty methodical in how we tap the Rent-A-Center and Acima customers and really testing and learning there, but feel really good about Brigit on a standalone basis being able to hit the numbers that we expected at the time of the acquisition. The first half of the year has been above our expectations as you mentioned both on the top line and on the EBITDA side. So nothing that we've seen in the first six months has really slowed us down if anything we're more and more positive about the acquisition and the future cross collaboration between all the segments.

Brad Thomas^ That's very helpful. Thank you. And if I could add a follow-up on the Rent-A-Center side, you've already given a fair amount of detail here, but just as we -- as we think about the quarters ahead, and I know this is kind of a macro call and I'm asking you to make here, but is there a good way to think about when some of the EBITDA dollar pressures could potentially subside when you could at least flatten out if not start to take it back to growth for that segment?

Fahmi Karam^ Yes, I think I mentioned, Brad, we were going to start lapping some of these changes that we made on the underwriting side in the second half of the year. We'll get a little bit of back in the third quarter and then we'll get a little bit more of it back in the fourth quarter. And then we're still going to lapse some of the store closures and consolidations that we did also last year.

So I would say early 2026 we should start seeing us really start to have a clean comp and hopefully then returning into growth as we do some of these initiatives that we mentioned that hopefully help from a delivery standpoint. And then you look at the macro gets a little bit better then we'll be able to pick our spots and where we open up some of the

underwriting. When we tighten underwriting between the two segments, it definitely has a different impact on Acima and Rent-A-Center.

With Rent-A-Center given its fixed cost basis and having the stores, there's definitely something that we have to balance there between growth and taking on prudent risk where Acima benefits from trade down and being able to grow store count. So look, I think we'll start comping -- the comp starts to get a little bit easier in the second half and then by the time we get into 2026 we should return to growth.

Brad Thomas^ Very helpful. Thanks, Fahmi.

Operator^ Our next question comes from Hoang Nguyen at TD Cowen.

Hoang Nguyen^ Hi, team. Thanks for taking my question. I want to start with Brigit. Obviously very strong result. I mean, if you look at the cash advance volume of the past couple of quarters it's been decelerating. I think you mentioned that you guys are going to increase marketing in the back half of the year. So can you talk about maybe your expectations for Brigit going forward and how you are looking to reaccelerate growth?

Fahmi Karam^ Yes, look, Hoang, thanks for the question. The Brigit growth I think speaks for itself. As I mentioned 40% revenue, almost 25% subscription or subscriber growth year over year.

The advances don't have necessarily a financial impact onto the business given the subscription based model. But with the other thing that we mentioned in the prepared remarks was the average revenue per user per month growing with mid-single digits. Sequentially and up over 12% year over year that is one thing that I would also call out as something that we are actively pursuing and seeing that grow sequentially again low single digits into the second half of the year.

The traction that we get as I mentioned both on the instant cash product, the credit building product and now the line of credit really justifies the market need and the market demand for this product and being able to offer our customers across all the brands, these liquidity solutions is really powerful for us. It expands our market outside of just durable goods. It gives us another solution to offer our customers and keep them in the network. So again not to repeat too much, we're very pleased with what Brigit is doing including its growth profile.

Hoang Nguyen^ Got it. And maybe on the leverage given that, I guess you continue to see some revenue headwind on -- sorry, on Rent-A-Center which is about to lap but you also seen very fast growth on Acima. So does that affect your ability to I guess quickly take down leverage and when should we expect you to hit your target leverage ratio? Thank you.

Fahmi Karam^ Yes, free cash flow compared this year to last year, this year to date we're at \$117 million. Last year was about \$34 million. So free cash flow is a real positive story

for us and that's including the growth at both Acima and Brigit. Some of that betterment year over year is the pullback at Rent-A-Center. Obviously, the EBITDA declines in there but also fewer and fewer purchases is also in that free cash flow, in that free cash flow number. So free cash flow has actually been a really positive story for us the first six months.

The Big Beautiful Bill that was passed also gives us some cash tax benefit that we'll incorporate into the guide going forward but needless to say will be a significant plus to free cash flow for the least the next couple years. So we will get down to our two times leverage target. I would say over the next couple years, Hoang, depends on how fast we can grow Acima, how fast we can grow Brigit. But if you just look at the guide for 2025 what we said was we could get leverage down to pre-acquisition levels by the end of the year. So let's hit that first and then we'll try to get down to two times as we progress.

Hoang Nguyen^ Got it. Thank you.

Operator^ Our next question comes from John Rowan at Janney Montgomery Scott.

John Rowan^ Morning, Fahmi.

Fahmi Karam^ Morning, John.

John Rowan^ Do you know what percentage of your customers are affected by the change in tax policy on tips and overtime?

Fahmi Karam^ It's really hard for us to kind of pinpoint the exact percentage, but if you think about Rent-A-Center customer making \$25,000, \$30,000 a year annual income, Acima's \$55,000 to \$60,000, and Brigit's somewhere in between the two. It's going to be a lot of service type folks and then those folks are the ones that have a lot of tips and a lot of overtime. So we think it's going to be a net positive but don't have exact percentage, but it's a meaningful percentage of our consumers.

John Rowan^ Okay. Has there been any changes in the kind of -- I know not for you because you run a subscription-based model in Brigit but have there been any changes in the market since the CFPB rescinded some of the guidance documents?

Fahmi Karam^ No, obviously there's been a lot of news around that the open banking rule, even this week the CFPB sounds like they may come back to the rule as the courts that hit pause on the ongoing case. So nothing to date, John, has changed officially but it's something that we're actively monitoring through the Brigit team, but nothing to date has necessarily changed as far as the new ruling.

John Rowan^ Okay. And then lastly I just want to make sure I understand. There's a \$32 million accrual for legal matters. Was that, I just want to make sure I understand. Is that for future litigation or is that to settle one of the matters or is it both? Or if you could break out if it's both?

Fahmi Karam^ Yes, it covers a lot of the different cases that we disclose, John, and we'll have the 10Q out this week and we'll have more of the disclosure in detail amongst all the cases. The majority of it as we said in the prepared remarks does relate to the multi-state AG matter that we've been working on now for several years. I take this as good news that we're making progress.

A lot of these things have been, a lot of these matters have been very long-standing matters and mostly relate to legacy practices including the McBurnie case that we did settle post the quarter. That was something that brought up five years ago and relates to our legacy acceptance now business. And so being able to settle that case, it was almost fully reserved for at the end of Q2 to now be able to move on I think it's a positive. And so we'll continue to update the accrual based on ongoing progress in the negotiations and hope to have these behind us soon.

John Rowan^ Okay. Thank you very much.

Fahmi Karam^ Okay. Thanks, John.

Operator^ Our next question comes from Bill Reuter at Bank of America.

Bill Reuter^ Good morning. I just have two. The first is the growth of Acima I find particularly impressive in light of general store closures across retail. I guess is that something which is negatively impacting all the positive momentum and are you having some of your partners that are closing their stores?

Fahmi Karam^ Bill, thanks for the question. One of the big benefits of Acima's platform is the diversity in, as I mentioned, diversity both in product and in merchants. And because we are a majority of our business comes from small medium-sized businesses, not one location closing or one merchant closing really has a meaningful impact to the business. So to answer your question directly no there hasn't really been anyone who's closed down that's been necessarily material to us.

We're constantly adding hundreds of locations to the platform. So it hasn't necessarily been a headwind for us. Furniture as we talked about is a big category for Acima and the team has done a great job of, while that category has been under pressure from the pull forward of stimulus to diversify where the GMV comes from into different high growth categories. And I mentioned jewelry electronics has been really, really strong for us as we've gone through the marketplace and added bigger retailers there. So no to answer your question directly hasn't necessarily been an impact for us.

Bill Reuter^ Great to hear. And then secondarily you talked about getting towards two times leverage towards the end of next year potentially. I guess I'm wondering whether given all that's going on with the growth and Brigit and Acima whether you would consider additional acquisitions at this point or you have so much going on internally plus the leverage target that kind of those are going to be your focuses.

Fahmi Karam^ I think that's fair, Bill. I think you never say never on M&A. You always keep the door open if it's something that expedites our strategic vision adds another technology or solution for our consumers but at the same time as you said and I think as we've highlighted we have a lot of opportunity in front of us with what we have between the three major brands or Rent-A-Center, Acima and Brigit. We have a lot of room there to execute and hit our strategic plan with what we have in house.

So the focus right now is let's get Brigit further integrated. Let's get Rent-A-Center growing again. Let Acima continue to grow double digits and find different ways to service our customers through that, through Acima and at the same time pay down, pay down debt, get to our target leverage ratios and then position the company for really supercharged growth in '26 and beyond.

Bill Reuter^ All good to hear. Thanks for taking the questions.

Fahmi Karam^ Thanks, Bill.

Operator^ Our next question comes from Anthony Chukumba at Loop Capital Markets.

Anthony Chukumba^ Good morning. Thanks for taking my question. Just add a couple quick ones. First one, you had the 50 basis point year over year increasing the lease charge off rate in the Rent-A-Center business. I was just wondering if there was, if you could just provide any color in terms of what the drivers were for that.

Fahmi Karam^ Anthony, good morning. Thanks for the question. Yes, look I think it's 50 basis points year over year. Some of that is why we tightened late last year, why we removed some of those phones, some of that has to go through the portfolio and you're seeing that. I characterize it as stable. It's only up 10 basis points from the first quarter. We've always said that 4.5% range in this environment give or take 10-20 basis points is kind of fine for the Rent-A-Center business. So some of it is why we tightened in the fourth quarter and earlier this year. So some of that has just has to work through the portfolio, but again it's within a range that we find acceptable especially as you have pressure on deliveries in the top line.

Anthony Chukumba^ Got it. Now that makes sense. And then just you talked -- when you had acquired Brigit, you talked about at some point I guess sort of migrating their decisioning engine to Rent-A-Center and Acima. I was just wondering if there's any update there. Thanks.

Fahmi Karam^ No real updates. Definitely still something we're very focused on. Anthony, to be candid, it kind of comes down to prioritization where we feel like we can get the best bang for our buck if you will with our time and resources.

Similar answer to what we said on the marketing side on the cross-collaboration between R&D, developing new products, and growing Brigit versus having some of the data

sharing and cashflow underwriting. We are going to do some testing this year around that just through the overlap of customers that we currently have. So we are starting on it. It is something that we think will be a big benefit for the combined company probably not something you'll see in 2025, probably something that we'll tackle in 2026.

Anthony Chukumba^ Got it. Good luck with the remainder of the year.

Fahmi Karam^ Thanks, Anthony.

Operator^ I'm showing no further questions at this time. I would now like to turn it back to Fahmi for closing remarks.

Fahmi Karam^ Thank you operator and thank you to everyone who joined us today for an update on our Q2 performance and our outlook for the balance of 2025. Before we conclude, I'd like to extend my sincere gratitude to all of my colleagues at Upbound. Thank you for your unwavering contributions in support of our mission, our values, and our customers. Have a great day everyone.

Operator^ Thank you for participation in today's conference. This does conclude the program. You may now disconnect.