

Upbound Group (Q3 2026)
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Corporate Speakers

- Abraham Albert; Upbound Group, Inc.; Senior Vice President, Finance
- Fahmi Karam; Upbound Group, Inc.; Chief Executive Officer
- Hal Khouri; Upbound Group, Inc.; Executive Vice President, Chief Financial Officer

Participants

- Brad Thomas; KeyBanc Capital Markets; Managing Director, Associate Director of Research
- Bobby Griffin; Raymond James; Managing Director, Equity Research
- Kyle Joseph; Stephens; Managing Director
- Hoang Nguyen; TD Cowen; Equity Research Director
- Casey Coates; Loop Capital Markets; Associate Analyst
- William Reuter; Bank of America; Managing Director

PRESENTATION

Operator^ Good day, and thank you for standing by. Welcome to the Third Quarter 2026 Upbound Group Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speaker's presentation, there will be a question-and-answer session. (Operator Instructions).

Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your first speaker today, Abraham Albert. Please go ahead.

Abraham Albert^ Thank you, operator. Good morning, and thank you all for joining us to discuss the company's performance for the third quarter of 2026.

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 Fahmi Karam, our Chief Executive Officer, and Hal Khouri, our Chief Financial Officer.

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 most recent Form

10-K, upcoming Form 10-Q, and other 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, Abraham, and good morning, everyone. We're pleased to report another strong quarter for Upbound, highlighted by efficient execution, responsible growth through disciplined underwriting, while generating significant free cash flow.

I'll start this morning with the headline metrics, then cover the themes behind them and our priorities before handing it off to Hal for the financials and updated outlook. After that, we'll open the line for questions.

Before I get into the results, I want to formally welcome Scott Young as Chief Operating Officer and Dev Chakraborty as Head of Brigit. Together, they strengthen an already strong leadership team focused on execution and delivering long-term growth and value for our customers, merchant partners, coworkers, and shareholders. I'll share more on their priorities as we go through the segment highlights.

Turning to the results and consolidated metrics. Third quarter revenue was \$1.15 billion at the high end of our guidance. Adjusted EBITDA of \$123 million and non-GAAP EPS of \$1.01 both exceeded the top end of our guidance. The quality of those results matters with every brand contributing. At Acima, adjusted EBITDA grew 15% year-over-year, and margin expanded approximately 270 basis points as lease charge-offs improved more than 100 basis points year-over-year.

Brigit grew revenue 37% and paying users 27% year-over-year, driving an adjusted EBITDA increase of nearly 60%. And Rent-A-Center delivered sequential EBITDA growth and same-store sales growth in the quarter of 1.8% compared to last year, its fourth consecutive quarter of growth, despite a difficult operating environment.

Our disciplined approach contributed to stronger profitability and healthier loss ratios at Acima, while Upbound generated \$121 million of free cash flow, more than double the prior year, allowing us to reduce net leverage to 2.4 times.

The trade-off to more prudent and disciplined underwriting is reflected in lower GMV. Acima GMV was \$431 million in the third quarter, down 11% year-over-year. The decrease is a

combination of our disciplined underwriting posture, as well as lower traffic in our partner retail stores and e-commerce sites.

Our underwriting capabilities are a core strength across Upbound. We actively manage underwriting as a strategic lever, balancing growth, portfolio performance, and risk adjusted returns based on the data we see in each business. At Acima, our disciplined approach this quarter contributed to healthier loss rates, stronger margins, and cash generation. As consumer conditions and portfolio performance support it, we have the flexibility to adjust that lever to pursue profitable and responsible growth going forward.

Moving on to the economic backdrop and its impact on our consumers. Our core consumer remains resilient, but continues to manage elevated costs across essential categories like groceries, rent, utilities, and energy. Gas prices in particular have stayed elevated, which has pressured customer wallet share for larger ticket discretionary purchases like furniture and appliances.

Our customers have adapted to persistent inflation in their lives, but the uncertainty has put pressure on demand, with consumers selectively choosing how to spend their discretionary income, seeking value for each transaction. Notwithstanding the broader macroeconomic backdrop, our three complementary brands offer a range of solutions that help us manage category-specific demand and create multiple avenues for growth as we remain focused on giving customers flexible, affordable ways to access the products and financial liquidity they need.

We continue to strengthen the connections across our brands by investing in shared capabilities and creating a more connected experience for the customers we serve. As we've said before, our strategy is straightforward: meet customers where they are today while expanding the ways we can serve them through new products as their financial needs evolve.

Since last quarter, we've made progress on our strategy by putting new capabilities into market, accelerating how quickly our teams learn, and translating that progress into measurable customer and business outcomes. Over time, we believe these efforts can increase customer lifetime value, create greater operational leverage, improve capital efficiency, and long-term value creation for our shareholders.

AI and advanced analytics are becoming increasingly important capabilities across Upbound, helping us make better decisions, operate more efficiently, and improve how customers experience our brands. We are already putting that capability to work across underwriting, customer communications, account management, and collections. As an example, approximately half of the code changes our engineers put into production now involve AI assistance. And at Rent-A-Center, customers are already using our AI shopping assistant to find products through natural language conversations.

Our digital transformation goes beyond putting existing processes online. We are combining stronger data foundations with AI-powered capabilities to give us a clearer, more consistent view of performance. As we scale these capabilities across the enterprise, we see additional

opportunities to increase operating efficiency, personalize customer experiences, and support growth.

Now let's turn to our segment highlights for the third quarter, starting with Brigit, where we saw a continued expansion in paying users and improved monthly ARPU, driven by a move to the premium tier and deeper engagement. As a result, Brigit delivered another quarter of double-digit year-over-year growth in subscriptions and revenue. Paying users grew 27% to \$1.84 million, and revenue grew 37% to \$79 million. Adjusted EBITDA grew 59% to \$15 million.

On the partnership side, the multi-year agreement we announced with Experian last quarter to offer Brigit's earned wage access product to Experian Money Plus members is progressing well, with thousands of users already signed up. We expect the broader rollout of this partnership to contribute meaningfully to Brigit's momentum in 2027. The line of credit pilot is also expanding, and we remain focused on a measured rollout that keeps unit economics, customer outcomes, and long-term value front of mind.

At Acima, pressure on GMV was balanced by meaningful improvement in profitability and credit performance, a direct result of our approach to macro headwinds. Adjusted EBITDA grew 15% to \$86 million, and margin expanded approximately 270 basis points to 14.7%. Lease charge-offs improved to 8.7%, more than 100 basis points better than last year, the lowest level since stimulus in 2021. These results validate the data-driven approach our team has adopted to protect portfolio quality and improve long-term economics.

I would also like to highlight our new integration agreement with Boost Mobile, which positions Acima as the preferred lease-to-own solution across approximately 5,000 Boost Mobile stores nationwide. Acima will embed directly into Boost Elevate, the point-of-sale platform in those stores, so shoppers can scan a QR code at the counter, apply on their own phone, and review lease options in a few simple steps, meaningfully expanding our reach in the wireless category.

Taken together, Acima enters the fourth quarter with a healthier portfolio, an expanding merchant network, and a margin profile that gives us flexibility to consider underwriting adjustments as the macro backdrop evolves. As the consumer environment allows, we are well positioned to translate that foundation into profitable growth, starting in the fourth quarter, where we expect the sequential trend to improve significantly and GMV to be relatively flat compared to last year, assuming a normal holiday shopping season.

Moving to Rent-A-Center, overall performance in the third quarter was stable amid a continued inflationary expense environment. We achieved year-over-year same-store sales growth of 1.8% in the third quarter, our fourth consecutive quarter of positive same-store sales growth. The segment delivered its first sequential EBITDA improvement in a year, with adjusted EBITDA up 4.9% from the second quarter. The team continues to prioritize portfolio quality while advancing initiatives aimed at improving customer experience and store-level profitability.

As we mentioned last quarter, we continue to evaluate our footprint as part of a broader effort to improve market-level performance. Where consolidation improves the economics of a market, we will continue to pursue those opportunities.

At the same time, our work is increasingly focused on defining the right go-forward strategy by market, including how we use our store footprint, digital capabilities, and local operating model to serve customers more effectively, improve margins, and position the business for growth over time.

We also continue to evaluate the benefits from the Amazon in-store pickup and drop-off partnership, which is deployed across approximately 1,500 corporate-owned Rent-A-Center stores and continues to drive improved foot traffic and brand awareness.

Before passing the call to Hal, I want to step back and talk about where we're taking Upbound as we head into 2027. Having the right leadership in place is central to this vision. Scott Young brings more than three decades of experience leading large, complex financial services businesses.

As Chief Operating Officer, his focus is on strengthening execution across Upbound and accelerating the shared capabilities that can make each of our businesses stronger. His experience scaling digital businesses and driving operational effectiveness will bring additional discipline and perspective as we continue to execute our strategic roadmap.

Additionally, as Head of Brigit, Dev brings a proven track record of fintech leadership, and his mandate is to keep scaling the business. We see multiple avenues to continue scaling Brigit, including expanding distribution through partnerships like Experian, broadening the line of credit offering, and continuing to advance the product roadmap while maintaining disciplined unit economics.

Together, Scott and Dev add deep operating and fintech experience to an already strong leadership team, accelerating our ability to execute against our growth priorities across the enterprise.

Our three brands complement one another, and the shared data and capabilities we're building across them make each brand stronger. At the same time, our improving profitability and strong cash generation are strengthening the balance sheet and giving us greater flexibility to fund our highest return growth initiatives, continue reducing leverage, and return capital to shareholders.

As we look toward 2027, we believe that combination positions Upbound to pursue profitable, sustainable growth and create long-term value for our shareholders. We're pleased with our third quarter results and the team's execution across the company. We're investing where it matters most, staying focused on cost and underwriting, and scaling capabilities that support operating leverage over time.

With that, I'll turn the call over to Hal to walk through the financials in more detail.

Hal Khouri^ Thank you, Fahmi, and good morning, everyone. I'll begin with a review of our consolidated and segment results for the third quarter, then spend time on cash flow, capital allocation, and liquidity before closing with our outlook and guidance.

Starting with our consolidated results, we met or exceeded all our third-quarter guided ranges with third-quarter revenue at \$1.15 billion, down 1.6% year-over-year, and at the high end of our guided range of \$1.05 billion to \$1.15 billion. Adjusted EBITDA was \$123 million on par with last year and above our guided range of \$105 to \$115 million. Non-GAAP diluted EPS was \$1.01, up approximately 1% from the prior year and above our guided range of 85 to 95 cents.

Moving to our segments and starting with Brigit, which again demonstrated a strong consistent performance across the business and remains a key driver of growth in the portfolio. Revenue was \$79 million, representing a growth rate of 37% year-over-year. Revenue growth in the quarter reflected continued expansion in paying users and improved monthly ARPU, which increased 4.7% year-over-year to \$14.39, supported by an increased shift towards Brigit's premium tier and deeper engagement with marketplace offers.

Paying users were approximately \$1.84 million at quarter end, up approximately 27% year-over-year. Net advance loss rate increased to approximately 4.4%, driven primarily by general macroeconomic pressures in the environment and through proactive growth strategies, leading to a 25% increase in advance originations, generating higher overall adjusted EBITDA margins and profitability.

Brigit's adjusted EBITDA contribution in the third quarter was approximately \$15 million, up 59% year-over-year, with adjusted EBITDA margin of 18.7%, and we increased advertising and marketing spend approximately 18% relative to the prior-year quarter.

Acima delivered another strong adjusted EBITDA performance in the third quarter, \$86 million, up approximately 15% year-over-year, with a margin of 14.7%, an increase of approximately 270 basis points. Lower losses and improved gross margin were the key drivers, more than offsetting lower revenue.

Credit performance was a clear contributor. Acima lease charge-offs were approximately 8.7%, an improvement of more than 100 basis points year-over-year, and the lowest level since the year of acquisition.

On the top line, third quarter revenue was \$585 million, down approximately 6.5% year-over-year, and GMV was \$431 million, down approximately 11%. This reflects our deliberate decision to prioritize margin and portfolio quality over volume and the added safeguards we put in place to protect customers, coupled with a challenging macroeconomic environment impacting consumer spending in durable goods categories.

Our Rent-A-Center business showed resilience amid an inflationary expense environment, and our disciplined approach led to a same-store sales increase of 1.8% in the third quarter, the fourth consecutive quarter of same-store sales growth. Third quarter revenue was \$459 million, essentially flat year-over-year, with an average same-store portfolio value per store up approximately 0.5% year-over-year.

Our underwriting approach at Rent-A-Center remains prudent, with lease charge-offs of approximately 5.4% in the quarter, reflecting performance within the mid-5% range we guided for the quarter. Adjusted EBITDA for Rent-A-Center was \$66 million, up 4.9% from the second quarter. Compared with last year, adjusted EBITDA declined 11.3% as we cycled against the third quarter last year that was a high watermark for 2025 with an adjusted EBITDA margin of 16.2%. This quarter's margin of 14.4% was up from 13.5% in the second quarter.

We remain encouraged by steps the team is executing to boost profit contribution, including the digital customer experience, expanded product offerings for our strongest customers, and the Amazon partnership that Fahmi mentioned earlier.

Turning to cash flow, liquidity, and capital allocation, one of the enduring strengths of our model continues to be the ability to convert earnings into cash, and the third quarter is another example of that. Net cash provided by operating activities was approximately \$163 million, up \$73 million from the prior-year quarter, and free cash flow was approximately \$121 million, more than double the \$50 million a year ago. These results reflect the underlying strength of business, translating directly into stronger cash generation.

Year-to-date free cash flow was approximately \$340 million, and operating cash flow was approximately \$457 million. We expect full-year cash flow of at least \$250 million, and operating cash flow of approximately \$400 million, reflecting the timing of seasonal working capital and expected legal settlement payments in the fourth quarter.

On the multi-state attorney general's investigation, we have reached a non-binding agreement in principle on the primary terms of a potential settlement and are making good progress towards definitive agreements with the 43 participating states. We will continue to invest capital in key initiatives focused on technology modernization, data platform initiatives, and digital capabilities that support underwriting personalization and operating efficiency.

Capital expenditures were \$16 million in the quarter. Over the full year, we expect capital expenditures of approximately \$65 million. We also drove shareholder return by funding a quarterly dividend of 39 cents per share, which amounted to approximately \$23 million during the quarter and represents a greater than 9% dividend yield. Strong free -cash flow allows us to support the dividend while also pursuing our other priorities, including reinvestment and deleveraging.

As cited in our earnings release, given our strong cash generation and liquidity position, we intend to repurchase up to \$50 million of our common stock under our existing share repurchase program with the timing and amount of any repurchases to be determined based on market conditions, share price, capital needs, and other factors.

We continued to strengthen the balance sheet in the quarter. We repaid approximately \$77 million of debt, primarily revolver borrowings, bringing total debt reduction to more than \$225 million since year-end. Net debt was approximately \$1.2 billion, and leverage was 2.4 times trailing 12-months adjusted EBITDA, down from 2.6 times last quarter and 2.9 times at the start of the year.

Quarter-end liquidity was approximately \$576 million, reflecting cash on hand and available revolver capacity. Leverage may move from quarter to quarter with the timing of cash flows and working capital, but we are pleased with the progress to date. We continue to prioritize disciplined deleveraging, targeting leverage in the 2x range over the long term.

Taken together, our capital allocation actions during the quarter reflected a disciplined, consistent framework focused on strengthening the balance sheet, supporting returns to shareholders, and reinvesting selectively to drive long-term value. That discipline gives us flexibility and positions the company well as we close out 2026.

With that context, let me turn to our outlook and guidance, where our outlook assumes the current operating environment and our current underwriting posture continue. At Acima, we expect fourth quarter GMV to be relatively flat to prior year. We continue to expect Acima adjusted EBITDA margin to finish the year up relative to 2025, offsetting revenue pressures.

Turning to Brigit, we are raising our outlook with annualized revenue growth of approximately 35% when normalized for a full year 2025 in the \$290 to \$300 million range and adjusted EBITDA in the \$55 to \$65 million range, reflecting strong performance through the first nine months. We remain focused on disciplined growth and measured rollout of new capabilities as the year unfolds.

At Rent-A-Center, trends within the segment have continued to improve, leading to our fourth consecutive quarter of same-store sales growth. Due to recent store optimization efforts, we continue to expect segment revenue to be flat to down low single digits for the year, as most of that revenue has been consolidated into neighboring locations. As we optimize the store base, we now expect adjusted EBITDA margin of approximately 14% for the year.

Looking to the fourth quarter of 2026, we expect consolidated revenue of \$1.15 to \$1.25 billion, adjusted EBITDA of \$125 to \$135 million, and non-GAAP diluted earnings per share of \$1 to \$1.10. These expectations reflect typical seasonal dynamics and continued underwriting discipline and do not reflect the potential impact of share repurchases.

With respect to fourth quarter loss rates, we expect lease charge-offs at Brigit, Acima, and Rent-A-Center to be in line with the third quarter. We expect full year guidance with Brigit in the mid 4% range, Acima remaining at or below 9%, and at Rent-A-Center in the low 5% range.

Factoring in third-quarter results, we are updating our full-year outlook, narrowing our ranges across all metrics to revenue of \$4.68 to \$4.78 billion, adjusted EBITDA of \$510 million to \$525 million, and we are increasing the midpoint of our non-GAAP diluted EPS outlook with a range of \$4.15 to \$4.30.

We continue to expect free cash flow for the year to be at least \$250 million inclusive of estimated legal payments.

Now, as we wrap up, I'd like to reinforce a couple of points Fahmi mentioned earlier. The actions taken over the past year to strengthen portfolio performance are showing up in the results. Looking ahead, we remain confident in our ability to navigate the current environment and continue building a long-term value for shareholders. Our diversified and complementary portfolio, strong cash flow generation, and disciplined approach to capital allocation position us well as we close out 2026 and move into 2027.

Thank you for your time this morning. Operator, you may now open the line for questions.

QUESTIONS AND ANSWERS

Operator^ Thank you. At this time, we will conduct the question-and-answer session. (Operator Instructions). Please stand by while we compile the Q&A roster.

Our first question comes from Brad Thomas with KeyBanc Capital Markets. Please go ahead.

Brad Thomas^ Hi, good morning, Fahmi. Good morning, Hal.

First question was just around recent trends. And I guess as we look at the guidance, not a big surprise to see you guys narrowing given what's going on with the health of the economy and the consumer. But just wondering if there's anything different you've been seeing in recent months as it relates to how you all are thinking about the fourth quarter. Thanks.

Fahmi Karam^ Morning, Brad. Thanks for the question.

I wouldn't say we've seen a big shift in recent months. I think if you think about the health of the consumer and the trends that we've had really all year, the consumer's been relatively stressed but resilient. And I think that continued this quarter. There's a lot of moving parts in the macro backdrop that consumers have to deal with. And obviously, inflation is the headline story. And especially when you're talking about fuel prices, that impacts our consumers very directly.

And so I think that continued this quarter, which is why it's really important for us to get our underwriting correct. We've been doing that really for the last three or four quarters, fine-tuning our underwriting posture. We've taken a pretty conservative approach now for the last at least 12 months, and we've seen that in our results. And that definitely continued into the third quarter.

As far as some of the trends though, GMV, I think inside the quarter it did improve sequentially each -- for each month inside the quarter. And we saw that continue into October. So I think things are relatively the same as they have been all year. The consumer is stressed but resilient, but there are things that give us pause going forward and why we've been relatively conservative on the underwriting side to date.

Brad Thomas^ I appreciate it. And if I could ask a follow-up about the Acima business. Just as we look at the cadence of GMV, can you help us get a sense of how much perhaps the declines that you're seeing right now are a function of some of the underwriting changes, and just how you're thinking about the trajectory at a high level going forward. Thank you.

Fahmi Karam^ Thanks, Brad. Sure. It's never an exact science on trying to estimate the impact. When it comes to GMV, there's a lot of different moving parts to it, whether it's furniture and appliances having a lot of headwinds there in that category, so between product mix, underwriting and macro, it's always tough to pinpoint.

But if I had to put a number to it, I would say somewhere in the 55% to 60% is on the underwriting tightening side, which is a combo of lower approval rates. Our approval rate for the quarter was down 300 basis points year-over-year.

Also, we introduced some friction on the marketplace and e-com this past couple quarters to reduce some of the fraud activity that we mentioned over the last couple quarters, really around heightening our authentication efforts. And then I would say the remaining 40%, 45% is probably more macro related, whether we're seeing fewer apps across the board, again, especially in furniture, which is our largest category of GMV.

But we've also seen consumers acting pretty rationally when it comes to them looking at affordability, applying, and then maybe pulling back, whether they're downsizing in the size of the lease or just pulling out completely. So we have seen some of that trend as well.

But as I said, the trend is going in the right direction. From a GMV standpoint, it got better each month inside this quarter. October was a marked improvement compared to September, very much in line with the guide that we had for the fourth quarter.

So you couple all those things, we feel really good about where the health of the portfolio going into the fourth quarter and heading into 2027. I mean, you can see that in the loss rate. You can see that in the margin profile, whether it's gross profit or EBITDA. And then you couple that with adding merchants like Boost Mobile. Very happy that we're able to get that one over the finish line and hopefully we can launch that before Black Friday. So a lot of moving parts, Brad. But I think if I had to estimate it, that's the mix.

Hal Khouri^ And maybe it's out here, Brad. Maybe just to bolt on as well. So notwithstanding some of the softness in the top line, payments and cash flow have been extremely strong. We've continued to reinforce our outlook at \$250 million in terms of free cash flow on the year, with potentially some upside opportunity on that front. So notwithstanding some of that top line pressure, cash flow remains strong. Demand at Brigit on our earned wage access and related products and services there have been quite healthy as well, as you can see in the numbers.

Brad Thomas^ Really helpful. Thanks so much.

Operator^ Thank you. Our next question comes from Bobby Griffin with Raymond James. Please go ahead.

Bobby Griffin^ Hey, guys, thanks for taking the questions. I guess first, I want to ask on the Brigit segment. That net advanced loss ratio was the first quarter I think we have in the history

that it popped above 4%. But at the same time, the user growth was robust, the ARPU grew, and then EBITDA also grew.

So I'm just curious your thoughts on where you see the opportunity to manage that, A, manage the growth but balance it with the net loss ratio. Is low 4% the right, or do you want to return it back to 3%, and how are you thinking about that on the go-forward basis?

Hal Khouri^ Yes, hey, Bobby. It's Hal here. Maybe I'll take that one.

We're still quite comfortable with our overall posture as it relates to underwriting and risk management on that business, notwithstanding a slight increase in the overall loss rate at this time, over 4% as you've noted. I mean, the growth on that business has been tremendous. As you look at the new originations flowing through, just the losses will peak on some of those new originations in the short term.

But if you look at the economics overall, we're on track to \$300 million of revenue this year. There'll be a four-to-one ratio effectively on revenue to losses, which is extremely healthy and EBITDA margin contribution north of 20%. And that will continue to improve. Over time, we'd like to see that overall loss rate number come down. But again, still very comfortable with where we're at and don't see any issues in terms of the overall portfolio management state.

Fahmi Karam^ You couple that, Bobby, with the gross and the EBITDA margin. So despite maybe having an uptick in losses, you look at the EBITDA margin in the quarter being up over 250 basis points year-over-year, and that's with us increasing our marketing spend by about 18% in the quarter year-over-year.

So you couple those two together, you can accept a little bit higher loss rate in the near term as we continue to test out new products, new customer cohorts, new marketing strategies, et cetera. But we manage it very well and you can see that in both the top line as well as the EBITDA margin.

Bobby Griffin^ Makes sense. I appreciate the details. And then I guess secondly on me, on Acima, you guys have done a good job this year right-sizing the underwriting. You can see the skips and stolens coming down. The GMV has been obviously pressured by that. How do we think about that portfolio size as we head into '27? It appears we have the underwriting under control, but we are going to be entering '27 with a smaller portfolio, given some of the GMV declines this year. Is that a pressure point, or is there other offset that this will create where EBITDA doesn't have to be under pressure on a smaller portfolio? Any comments there would be helpful.

Fahmi Karam^ Yes, Bobby, I think yes, obviously GMV is falling short of what we had expected coming into this year, but we also are dealing with a lot from a macro standpoint that we didn't expect this year. And obviously, revenue is going to trail GMV. We've been down this year, so that has an impact. You can see that in the top-line pressure that we mentioned.

And obviously, that translates into a lower lease balance on the balance sheet as well. But we're more than offsetting that top line pressure with margin.

And we think in this environment, given the uncertainty around what comes next, we think that's the prudent decision. And you can see that again in our results, with margins expanding on -- in that segment by 270 basis points and EBITDA dollars increasing 15% year-over-year. So we think our underwriting posture is prudent, given the environment.

In the meantime, we are adding merchants like Boost to help us give us a lift and gives us confidence in being relatively fat -- flat in the fourth quarter and hopefully then growing into 2027. So we're managing it with higher profitability and not chasing volume at the moment.

Bobby Griffin^ And let me try to sneak one more in just on the Boost. Any help -- put -- if that account is successful, put that in context with some of your other larger ones. Is that -- just to help us right-size what that opportunity could be? I mean, obviously a lot of stores, but different -- it's phones for some of your other product categories. So what is the goal there? I mean, could that be a top five, top 10 account, or where do you see that potential?

Fahmi Karam^ Yes, well, we're not going to get into the numbers on one account versus the other. But obviously, the number of locations gives us -- we're excited about putting on and onboarding that many locations in the wireless category there and expanding that. We're not -- again, not going to go into how big it is and that, but obviously having 5,000 locations in their network is very exciting.

And we're hoping again to launch that in the fourth quarter before Black Friday. We're in testing mode right now in the integration. And while we're testing the integration and the systems, we're in -- we're busy onboarding and training the different merchants. So it will be a nice account for us. There's no doubt about it.

Bobby Griffin^ Very good. Well, congrats on managing a very dynamic environment. Appreciate the time this morning.

Fahmi Karam^ Thanks, Bobby.

Operator^ Thank you. Our next question comes from Kyle Joseph with Stephens. Please go ahead.

Kyle Joseph^ Hey, good morning, guys. Thanks for taking my questions.

If I may, I'd just love to pick your brain and get your high-level thoughts on the RAC business. Sometimes it gets a bit -- a little bit by the wayside these days. But you've seen a nice recovery in terms of same-store sales, so that's obviously good to see.

But just in terms of loss rates, how should we be thinking about those? I mean, I don't even know if it's worth comparing to historical averages, given how different things are macroeconomically

in a post-COVID world versus pre-COVID. But just want to get your high-level thoughts on how that business is performing versus just your expectations in recent quarters. Thanks.

Fahmi Karam^ Sure, good morning, Kyle. Thanks for the question.

Yes, look, Rent-A-Center had another solid quarter in what I would characterize as a tough environment. Growing same-store sales at 1.8%, that's our fourth quarter in a row of growing same-store sales. We grew EBITDA dollars sequentially for the first time in a few quarters. The portfolio value or rent on the balance sheet, the portfolio balance is up 3%.

And as far as losses go, consistent with our guide to be in that middle of the 5% range, which is an uptick year-over-year. But again, the dynamics between the businesses are a little bit different. With Rent-A-Center, we do have a fixed cost base, and so we try to balance that out with EBITDA dollars so we can accept a little bit higher loss rate in the short term to make sure that we get deliveries on the balance sheet.

So -- and that segment still produces a lot of free cash flow for us. So tough environment to operate in, but the business is doing well. We're executing well. And we're trying to find new ways to drive traffic into the stores, including the Amazon partnership, which continues to generate a lot of new visits and a lot of new customers into the stores. And we're focused on converting those customer -- or those consumers into customers.

So I would say very solid execution across the board on the Rent-A-Center business.

Kyle Joseph^ Great, thanks. And then just pivoting back to Acima.

Obviously, I think the -- most of the GMV headwinds recently have been self-induced, if you will. But from a high level from -- with your discussion with your retail partners, are we starting to get far enough away from COVID where you're starting to see product cycles reset and folks need new mattresses and furniture? I mean, obviously, just as a function of that, your exposure to furniture and mattress has declined.

But yes, just is there any -- are there any green shoots of consumer demand for the big products in COVID?

Hal Khouri^ Yes, hey, Kyle. Thanks for the question. It's Hal here. Maybe I'll try to hit on that.

Yes, look, I mean, I think as Fahmi alluded to earlier, certainly the macro environment and the headwinds that we're experiencing there, consumer confidence, particularly in the large-ticket durable goods categories, has been soft. Whether that's furniture, appliances, those larger-ticket categories, consumers are putting those off.

What we are seeing though is a shift to other categories. That may be lower margin type categories like electronics, computing, tablets, cell phones, those types of things. We're optimistic around that, of that pent up demand coming back. And again, we've been managing credit prudently and counterbalancing some of that pressure that we might have otherwise have

been experiencing had we loosened up. But we'll continue to monitor that on a go-forward basis and make tweaks and adjustments as required.

Kyle Joseph^ Great. Thanks very much for taking my questions.

Fahmi Karam^ You bet.

Operator^ Thank you. Our next question comes from Hoang Nguyen with TD Securities. Please go ahead.

Hoang Nguyen^ Good morning, and thank you for taking the questions.

I want to ask the Brigit business. So it looks like ARPU on Brigit has been flat for, I guess, about three quarters now. Can you talk a little bit about some of the dynamics around that? And given that most of Brigit's revenue is on subscriptions, is there opportunity for you guys to take pricing action here? And I have a follow-up.

Fahmi Karam^ Morning, Hoang. Thanks for the question.

Look, ARPU has gone up again 5% this quarter year-over-year, has gone up slightly sequentially. But this is the balance that we try to drive with higher subscription levels, new subscribers coming in, and this is the balance between driving revenue per user and trying to grow the network. And that's the balance that we try to blend into how we think about operating that business.

And look, as we develop new products that go into the bundle, I think that will also help drive ARPU going forward. So we feel really good about where we are at \$14.39 this quarter, again up 5% year-over-year, and at the same time increasing our subscribers by 27%. So that's the balance. We want to keep people retained on the platform. And our job is to make sure that they see value in the bundle and they stay on the subscription.

Hal Khouri^ Hey, it's Hal here, maybe just to bolt on. In addition to that, with our recent partnership with Experian, we've seen some really good progress on that front. And it also opens us up to incremental distribution partnerships that certainly would allow us to ramp up our overall subscriber base and generate additional profitability and marginal expansion there as well. So we're quite excited about that opportunity as well.

Hoang Nguyen^ Got it. And maybe can you talk a little bit about your pipeline for Acima, maybe going to the holiday season, given that, again, I think the window is closing in terms of signing new partnerships. Thank you.

Fahmi Karam^ Yes, we're bullish on the holiday season. I mean, you've seen that in our guide as far as it being a -- we think will be a typical season. But the trends that we've seen year-to-date will also continue, Hoang. So we think it'll be normalized to maybe last year, but we're cautious around where the consumer is going to spend. And we'll be ready to serve them.

So again, we think GMV will be relatively flat in Q4, bucking the trend that we've seen for the first three quarters of this year, and we're banking on a nice holiday season.

Hoang Nguyen^ Thank you.

Operator^ Thank you. Our next question comes from Casey Coates with Loop Capital Markets. Please go ahead.

Casey Coates^ Good morning, and thanks for taking my question. I just wanted to touch on the customer overlap currently existing between the three branches and really which -- what opportunities are most actionable going forward.

Fahmi Karam^ Morning, Casey. Thanks for the question.

Yes, I think we're making a lot of progress when it comes to the integration across our brands and really trying to strengthen the connection across our brands and creating more opportunities to serve customers with multiple products.

You've heard us talk about the limited overlap to date in that 10%, 15% range between Brigit and Rent-A-Center and Acima. And we think we can grow that over time. And we're laying the foundation of being able to share data, share the analytics across the organization, and take a holistic view of the customer in that connected ecosystem that we've talked about before.

So -- and once we do that, we'll be able to have enterprise-wide personalization and really a seamless experience for our customers going forward. So we're really excited about the opportunity to do that. We think data is the first step of us doing that.

So we're doing that across marketing. We're doing that across underwriting. We're doing that across risk dynamics between the businesses. And if -- and then we do that correctly, then you'll start seeing that flywheel effect between the brands.

Casey Coates^ Thank you. Pivoting on to -- towards Rent-A-Center. With the -- I know Amazon's relatively new with that partnership and deal. Is it still more of just increasing awareness and store traffic, or have you guys seen some benefits in the conversion side as well?

Fahmi Karam^ We have seen some benefits with the conversion of that program. We are working with Amazon to get better clarity around being able to tag those customers that come in. And so we're not able yet to at least publicly announce the conversion of those things yet, Casey, but we are working on being able to really tag those customers and make sure we can follow them through the journey.

But we know that traffic is up incrementally per store per week by about 50 visits across the board on average, at least for the 1,500 corporate-owned stores that offer that pickup and drop-off.

And that's a huge opportunity for us to convert customers that are new to Rent-A-Center. Most of those customers are new to our business. And so introducing them to the value proposition, introducing them to the brands and products that we offer is -- there's a huge opportunity for us to take on new customers and get them into the network.

Casey Coates^ Sounds good. Thank you for taking my questions.

Fahmi Karam^ Thanks, Casey.

Operator^ Thank you. Our next question comes from William Reuter with Bank of America. Please go ahead.

William Reuter^ Hi, good morning. I have two. So the first, the difference between your cash flow from ops guidance of \$400 million and free cash flow of \$250 million, with CapEx only being \$65 million, is the remainder of that just legal payments, or are there other items in there to bridge that difference?

Hal Khouri^ Yes, hey, William. It's Hal here.

Yes, so there are substantial legal payments that we are contemplating as was referenced. We feel pretty good about our situation as it relates to our multi-state liability and clearing that out. So that'd be a substantial contributor in that regard, net you off or reconcile against the operating cash flow or the free cash flow.

William Reuter^ Got it. And then my second question, you're moving awfully close to your leverage target of two times. Clearly, we're now a couple years out from the Brigit acquisition. Are there other assets that you see that would be nice bolt-ons to these different pieces to the business? I know you still see a lot of opportunity to integrate Brigit into Acima and Rent-A-Center potentially. But I guess are you focused more on that, or could we see something else added as well?

Hal Khouri^ Yes, no, great question. And cash flow has been extremely strong this year, partly due to some of the softness that we've seen on the top line and a reduction of overall working capital.

In terms of our capital allocation strategy around that, one is continue to meet the needs of the overall business and continue to invest in the business as we have, bringing down our overall leverage profile.

And then we just announced the fact that we'll be looking to acquire our shares of up to \$50 million in the open market this quarter coming out of blackout, given the acceleration in a paydown on our overall leverage and the strong cash flows that we've been able to generate.

Beyond that, I'd say yes, we want to make sure that we've integrated Brigit appropriately. And downstream, we'll always take into consideration opportunities as they present themselves.

But I'd say we're not being proactive at this point around M&A overall, but more seeing what's out there and being prudent in managing our overall capital.

William Reuter^ That all makes sense. Thanks a lot for taking my questions. That's all for me.

Hal Khouri^ Good.

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

Fahmi Karam^ Thank you, operator, and thank you to everyone who joined us today for an update on our Q3 performance.

I'm very thankful for the collective efforts of our exceptionally talented and dedicated co-workers and merchants. We're grateful for your interest and support, and we look forward to seeing many of you at the conferences in the coming weeks and updating you again next quarter.

Have a great day, everyone. Thank you.

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