

Upbound Group (Q1 2026)

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Corporate Speakers:

- Steven Kos; Upbound Group; Investor Relations
- Fahmi Karam; Upbound Group; Chief Executive Officer
- Hal Khouri; Upbound Group; Chief Financial Officer

Participants:

- Kyle Joseph; Stephens; Analyst
- Robert Griffin; Raymond James; Analyst
- Vincent Caintic; BTIG; Analyst
- Anthony Chukumba; Loop Capital Markets; Analyst
- John Hecht; Jefferies; Analyst
- Bradley Thomas; KeyBanc; Analyst
- Hoang Nguyen; TD Cowen; Analyst
- William Reuter; BofA; Analyst
- Casey Coates; Loop Capital Markets; Analyst

PRESENTATION

Operator^ Good day. And thank you for standing by. Welcome to the Upbound Group Q1 2026 Earnings Conference Call. (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, Steven Kos of Upbound Investor Relations.

Please go ahead.

Steven Kos^ Good morning. And thank you all for joining to discuss the company's performance for the first 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 webcast.

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

Fahmi Karam^ Thank you, Steven. And good morning, everyone.

I'll start with a review of our first quarter performance and the progress we're making on our 2026 priorities. I'll then hand it over to Hal for a more detailed discussion of our financial results and outlook. After that, we'll take some of your questions.

Our first quarter represented a solid start to 2026 for Upbound. We executed well in a difficult operating environment, delivered results in line with our financial targets, generated robust cash flow, and deleveraged our balance sheet while continuing to advance key initiatives that support long term value creation.

We believe Upbound's expanded and increasingly digital portfolio is well suited to meet consumer needs in this environment, as consumers seek flexible, convenient, and affordable financial solutions. With our Brigit acquisition last year, we have three complementary brands that deliver a wide range of financial solutions to a similar and sizeable target consumer base, and that diversification helps us manage through category swings, creates multiple paths to growth, and gives us more opportunities to deepen relationships with customers over time.

Our work is guided by a set of clear priorities for 2026. We're building Upbound into a more connected, tech-enabled financial platform while fostering sustainable, profitable growth. Across the company, our focus is on using data, advanced analytics, and AI to improve personalization, strengthen underwriting, and enhance operating efficiency across our organization.

When we talk about becoming more connected, this refers to creating a better, deeper experience for customers and a more efficient operating model for the company. That

means meeting customers where they are, providing a broader set of solutions across their financial journeys, and using data collected at any and every interaction across our brands and channels to make smarter decisions—from product development, value proposition, customer acquisition, conversion and underwriting to account management and retention. Over time, this stronger connection should translate into enhanced customer engagement, better outcomes, and higher returns on capital.

We're also advancing a more unified operating structure for the company. In practical terms, that means a common delivery model, shared resources, and shared data foundations that allow each brand to move faster without recreating the same work in multiple places. Ultimately, this operating model helps ensure teams have the clarity, focus, and tools necessary to execute effectively across key enterprise initiatives.

Alongside that, we're applying analytics and AI in practical ways across the enterprise. Our initial focus is on use cases that improve outcomes in underwriting, customer communications, operating efficiency, and enhance servicing and collections. These are targeted initiatives aimed at enabling better decisions, higher productivity, and a better customer experience, and we're prioritizing areas where we can measure impact and scale what works.

We expect to improve merchant experience and onboarding and to remove friction points, which will enhance both merchant and consumer conversion. These efforts should translate into more loyal customers, repeat interactions, higher LTV per customer, and overall lower customer acquisition costs.

A big part of delivering on those priorities is leadership and organizational clarity. We've continued investing in key senior leadership roles and talent, and we're thrilled to welcome our new Chief Technology Officer, Balaji Kumar. Balaji brings more than 25 years of technology leadership experience across financial services and retail. Bringing Balaji on board strengthens our ability to modernize systems, accelerate execution, and build scalable technology capabilities that support the roadmap we've laid out.

With the recent leadership additions of Hal, our CFO, Rebecca Wooters, our Chief Growth Officer, and now Balaji in place, along with the balance of our seasoned executive team, we believe we are well positioned for 2026 and for long term future growth.

Now let's turn to our segments and how our first quarter performance exemplifies this approach.

Beginning with Brigit, we're pleased with the segment's growth and momentum to start the year. In the first quarter, paying subscribers and monthly average revenue per user both increased double digits year over year, driving a revenue increase of over 40% year-over-year. This performance reflects strong demand and solid execution, and as a result, the segment remains on track to hit its financial targets for 2026.

Brigit continues to invest prudently in the products and marketing that will enable additional growth and profitability in future years, as the business continues to enhance its value proposition, driving increased engagement and monetization across the platform. As the brand scales, more and more users are finding value in Brigit's flexible and transparent financial wellness and liquidity solutions, and we're excited about the opportunities ahead for Brigit as we continue expanding how and where consumers can use the platform. In particular, product development remains an important focus at Brigit, with the line of credit pilot continuing to advance. We're preparing for a broader rollout later this year, taking a measured approach that prioritizes unit economics, customer outcomes, and long-term value creation.

Turning to Acima, the positive results of our targeted efforts to strengthen portfolio health given the challenging operating environment became even clearer in the first quarter, as the prudent underwriting actions taken over the past year have proven effective. Lease charge offs were approximately 8.8 percent in the first quarter, representing a meaningful improvement from the elevated levels in the second half of last year, including 130 basis point improvement compared to the fourth quarter. This improvement validates the data driven approach our team has adopted to protect portfolio quality and improve long term economics, and it supports a foundation for continued investment in the business as we move through 2026.

Tightening underwriting, coupled with the macro headwinds which impacted demand, pressured our GMV in the first quarter. GMV finished the quarter below our expectations, coming in lower than last year's first quarter performance, which was prior to us making meaningful underwriting changes.

In a moment, Hal will go over our guidance and how GMV and the stronger Q1 loss performance are expected to impact our results for the balance of 2026.

Acima will continue to be disciplined in its approach and will continue building toward meaningful growth opportunities. We're sharpening the value proposition of our flexible leasing solutions and expanding our digital capabilities. At the same time, we're investing in merchant relationships and strengthening the customer experience at tens of thousands of retailers across the country as well as online through our direct to consumer marketplace, which grew approximately 9% year-over-year in the first quarter. We also remain encouraged by the merchant pipeline across small, medium, and large retailers and by the diversity of the merchant base, which helps support resilience when demand varies across categories.

During the quarter we signed a new agreement with an existing merchant partner that furthers our partnership and is expected to drive meaningful GMV in the second half of the year. The revised agreement enhances our integration and provides Acima exclusive rights as a checkout option at the largest ecommerce furniture retailer in the country.

At Rent A Center, our focus remains on continued cost optimization while strengthening the foundation for more consistent performance. That progress was evident in the first

quarter, with the segment achieving year-over-year same store sales growth for the second consecutive quarter following our strategic tightening over the past several months.

The team continues to prioritize portfolio quality while advancing initiatives aimed at improving the customer experience and store level execution. This is not a single initiative; it's a consistent, integrated operating approach that combines investment in expanding digital capabilities with targeted work to strengthen engagement and execution in the field.

In particular, we are focused on measurable initiatives expected to improve performance over time—from reinforcing coworker training and execution in the field, to expanding relevant product offerings for Rent A Center's strongest and most loyal customers. We're also excited about the Amazon partnership we announced last week. While still early, this collaboration enables convenient Amazon order pickup and returns at more than 1,700 Rent A Center corporate owned stores, increasing store relevance, driving brand awareness and in store traffic, and supporting new customer acquisition. These are the types of initiatives that leverage our existing footprint, enhance the customer experience, and help us introduce our portfolio of flexible financial solutions to an even greater number of consumers.

Before turning to consolidated financial highlights, I want to briefly step back and tie together what we're seeing across the business. Across the enterprise, we continue to strengthen the platform by connecting data, capabilities, and teams in more deliberate ways. We are improving personalization, making more targeted, data-driven risk decisions, and identifying opportunities to engage customers more effectively across brands. This work is focused on execution fundamentals—targeting the right customers across channels while delivering value and service that drives repeat business—and then scaling those improvements consistently over time.

It's also important to acknowledge the operating environment we're navigating. The non prime consumer continues to face pressure from elevated costs in essential categories such as groceries, rent, utilities, and energy, which influences purchasing behavior and weighs on discretionary spending, particularly for larger ticket items. At the same time, the first quarter featured a stronger than normal tax refund season. While that supported liquidity for many consumers, it was partially offset by higher energy prices following recent geopolitical developments.

Despite this challenging backdrop in the first quarter, our consolidated results were solid and in line with our expectations. Revenue was \$1.2 billion, up 3.7 percent year over year. Adjusted EBITDA increased nearly 8 percent to \$136 million, and non-GAAP diluted EPS was \$1.08, up 8 percent from the prior year. These results reflect disciplined execution and improving outcomes across the platform.

Cash flow and deleveraging were also strong in the quarter. Net cash provided by operating activities was \$171 million, up \$23 million year over year, and free cash flow

was \$136 million, up from \$127 million in the prior year quarter. Strong cash generation supports reinvestment in the business, disciplined deleveraging, and our broader capital allocation priorities.

We're encouraged by our first quarter results and by the progress the teams are making across the company. We're investing where it matters most, staying disciplined on investments, costs and underwriting, and scaling capabilities that support operating leverage over time. As we look ahead, our priorities are clear, our leadership team is in place, and we'll stay focused on execution through the rest of 2026.

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 segment results for the first quarter, then spend time on capital allocation and liquidity before closing with our outlook and guidance. As you heard from Fahmi, we are executing well in a challenging operating environment, demonstrated through improving portfolio performance and strong cash generation. Those two factors are central to how we think about sustainable long-term value creation.

Starting with Brigit, the first quarter demonstrated strong performance across the business. Revenue was \$68 million, more than double Brigit's revenue contribution to our consolidated results in the first quarter of 2025. As a reminder, Upbound acquired Brigit at the end of January 2025 and did not include Brigit revenue for the first month of last year in its reporting.

Excluding timing impact of the acquisition last year, Brigit comparative revenue grew more than 40 percent, in line with recent performance trends.

Revenue growth in the quarter reflected continued expansion in paying users and improved monthly ARPU, which increased nearly 12% year over year to \$14.41, supported by increased shift towards Brigit's Premium tier, deeper engagement with marketplace offers, and higher optional expedited transfer revenue.

Paying users were approximately 1.6 million at quarter end, up approximately 27% year over year. Net advance loss rate was approximately 3.5 percent, consistent with recent quarters and within expectations.

Brigit's Adjusted EBITDA contribution in the first quarter, approximately \$22.9 million, more than doubled year over year as scale benefits continued to build. In the year ahead, we remain focused on disciplined growth and measured product rollout, with a clear emphasis on unit economics as we expand capabilities over time.

Turning to Acima, first quarter revenue was \$649 million, up approximately 2 percent year over year, driven primarily by a nearly 3 percent increase in rental and fee revenue, partially offset by a 1 percent decrease in merchandise sales revenue.

GMV was approximately \$427 million, down approximately 6 percent year over year. This outcome reflects a couple factors, including tighter consumer conditions that limit discretionary spending, particularly for durable goods, and the deliberate underwriting tightening actions taken in 2025 as we remain prudent in customer acquisition. These tightening actions were intentional and focused on improving long term portfolio economics rather than maximizing near term volume, particularly given the broader non-prime consumer landscape.

That brings us to the other side of that trade-off: loss performance, which was a clear success story in the first quarter. Acima lease charge offs were approximately 8.8 percent, representing roughly 130 basis points of sequential improvement and 10 basis points lower year over year. The early indicators we monitor, including payment behavior and delinquency trends, support our confidence that the portfolio is benefiting from the underwriting actions implemented last year. In the year ahead, we will continue to track macroeconomic trends and focus on optimizing our models accordingly.

Adjusted EBITDA for Acima was \$89 million, up approximately 4 percent year over year, while Adjusted EBITDA margin was 13.7%, an increase of 40 bps year over year. Revenue growth, coupled with a 60 basis point increase in gross margin, and improved loss performance outcomes were each contributors to the increase in Acima profitability. As we move through the year, we remain focused on maintaining a balance of sustainable growth paired with solid portfolio performance and profitability.

At Rent A Center, our disciplined approach led to same store sales increasing approximately 40 basis points in the first quarter, following its return to same store sales growth last quarter. First quarter revenue was \$482 million, down approximately 2 percent year over year driven by a decrease in merchandise sales, partially offset by an improvement in rentals and fees revenue, and lower revenue contribution from our franchisees.

We remain prudent in our approach to underwriting at Rent-A-Center, and as a result, lease charge offs were approximately 4.7 percent in the first quarter, representing a 20 basis point sequential decrease and a 10 basis point increase year over year, reflecting stable performance within our target range and slightly better than expectations.

Adjusted EBITDA for Rent A Center was \$67 million, down approximately 6 percent year over year. The decline was driven by lower revenue and profit contribution from our franchise business and inflationary pressure on margins.

We remain encouraged by initiatives the team is executing, including continued progress on the digital customer experience, the expansion of product offerings to Rent-A-Center's strongest customers, and efforts to increase store traffic, such as the Amazon partnership that Fahmi mentioned earlier.

Stepping back, across the organization, we were pleased with overall performance in the quarter given the broader operating environment. At Brigit, we continued to see strong growth and engagement, while our lease to own businesses continue to adjust

dynamically to shifts in consumer demand and payment behaviors. The actions we've taken over the past year are translating into loss performance that is running better than our expectations within Acima and Rent A Center, and while some volume related metrics reflect those actions, taken together, our performance reinforces our confidence in the resilience of our model and our ability to serve our core consumer in an uncertain environment.

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 first quarter is another example of that. Net cash provided by operating activities was approximately \$171 million, up from \$148 million in the prior year quarter, and free cash flow was approximately \$136 million, up from \$127 million a year ago.

While the first quarter tends to be a seasonally stronger period for cash flow, due in part to the timing of tax refunds and following the holiday shopping season, these figures reflect solid underlying performance and do not yet include all of the anticipated cash tax benefits we discussed on our fourth quarter call. As those benefits materialize later in the year, we expect cash generation to be further supported.

We continue to invest capital on key initiatives, which are aligned with the strategy Fahmi outlined and are focused on technology modernization, data platform initiatives, and digital capabilities that support underwriting, personalization, and operating efficiency. We remain selective and returns oriented in how we deploy capital. Over the full year, we expect capital expenditures to be similar to 2025, and we will continue to evaluate pacing and ROI as we move through 2026.

We also drove shareholder return by funding a quarterly dividend of \$0.39 per share, which amounted to approximately \$23 million during the quarter and represents an approximately 8% dividend yield. The dividend remains an important component of our capital allocation framework. Strong free cash flow allows us to support the dividend while also pursuing our other priorities, including reinvestment and deleveraging.

Turning to liquidity and debt, quarter end liquidity was approximately \$465 million, reflecting cash on hand and available revolver capacity. Net debt was approximately \$1.4 billion, and leverage was 2.6 times trailing twelve month adjusted EBITDA, a meaningful sequential reduction from 2.9 times at year end 2025. While the leverage ratio may fluctuate slightly due to timing of cash inflow and outflow over the course of the year, we were pleased with the debt reduction achieved in the first quarter. We continue to prioritize disciplined deleveraging as the primary use of incremental cash, targeting leverage in the 2x range over the long term.

Taken together, our capital allocation actions during the quarter reflect 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 move into the remainder of the year. With that context, let me turn to our outlook and guidance.

As we look ahead, our expectations reflect continued prudence in underwriting, disciplined operating execution, and steady progress against our strategic priorities. Our outlook assumes a continuation of the current challenging external operating environment, uneven macro factors that pressure our core consumer's discretionary income and demand levels but also tend to make our complementary range of flexible financial solutions even more relevant to these consumers.

Considering the trajectory of our business, including first quarter financial results that were generally in line with or above our expectations, we believe that we are well positioned to achieve the target ranges we shared for 2026 revenue, Adjusted EBITDA, and non-GAAP diluted EPS on our previous earnings call.

As a reminder, those targets are consolidated revenue of approximately \$4.7 to \$4.95 billion, adjusted EBITDA of \$500 to \$535 million, and non-GAAP diluted earnings per share of \$4.00 - \$4.35.

We also expect free cash flow of approximately \$200 million in 2026. As mentioned on our prior earnings call, this guidance is inclusive of an estimated 2026 payment outflow of approximately \$70 million in non-ordinary course legal and regulatory settlements, and it assumes relatively flat capex spend to support business growth initiatives. These factors position Upbound favorably to advance its capital allocation priorities as we focus on delivering compelling and sustainable returns for shareholders.

I'll now move on to share updated segment level commentary.

At Acima, we've revised our outlook to account for first quarter results, the deliberate underwriting tightening we've completed and our expectation of continued macro headwinds. We expect 2026 GMV and revenue to be flat to up low single digits year-over-year. Losses for the year should be slightly better than our original expectations, stabilizing in the low 9% area for the year. Our outlook for Acima margins has improved relative to our previous guidance, and we now expect Acima Adjusted EBITDA margin to finish the year up slightly relative to 2025, offsetting revenue pressures.

Turning to Brigit, our outlook remains unchanged, with annualized revenue growth of over 30%, in the \$265-\$285 million range, and an adjusted EBITDA in the \$50-\$60 million range. These expectations assume continued growth in paying users while maintaining net advance loss rate around current levels for the year. We remain focused on disciplined growth and a measured rollout of new products and capabilities as the year unfolds.

At Rent-A-Center, while trends within the Company-owned segment have stabilized, lower revenue and profit contribution from our franchise business are expected to have a modest impact on full year performance. As a result, we expect Rent-A-Center segment revenue to be flat to down low single digits for the year. No change to Adjusted EBITDA margin, which should remain relatively flat to 2025.

Looking to the second quarter of 2026, we expect consolidated revenue of \$1.1 billion to \$1.2 billion, adjusted EBITDA of \$120 million to \$130 million, and non-GAAP diluted earnings per share of \$1.00 to \$1.10. These expectations reflect typical seasonal dynamics and continued underwriting discipline.

With respect to loss rates, we expect both Rent-A-Center's and Acima's lease charge-off rate to remain flat to slightly higher sequentially. Second quarter GMV should improve sequentially and be down low to mid-single digits year over year, with continued improvement over the balance of the year and returning to year-over-year growth in the second half of the year. Brigit's net advance loss rate in the second quarter should be in the mid 3% range, in line with historical quarter-over-quarter trends.

Now, as we wrap up, I'd like to reinforce a couple of points Fahmi mentioned earlier. During the first quarter, the company continued to execute against its strategic priorities, delivering solid operating and financial performance while maintaining discipline in how we balance growth, risk, and returns. The actions taken over the past year to strengthen portfolio performance are showing up in the results, particularly in loss trends and cash generation.

Looking ahead, we remain confident in our ability to navigate the current environment and continue building 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 move through the remainder of 2026.

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

QUESTIONS AND ANSWERS

Kyle Joseph^ A lot of moving parts there in the first quarter, obviously going into it, everyone was focused on elevated tax refunds. And then in March, we got the spike in gas prices.

But just hoping you guys can walk through each segment and kind of walk us through performance and give us a cadence and how the customer was impacted throughout the quarter by those two big macro factors.

Fahmi Karam^ I'll start and Hal can chime in.

I'll try to cover most of the segments, but I'll give you just a high-level overview of maybe the consumer because they're directionally the same between the businesses, even though they're impacted slightly differently and same with seasonality in our business as well.

But maybe I'll start with just the high-level macro and then go into the impacts on the businesses.

But as we said in the prepared remarks, the operating environment is pretty tough for our core consumer.

The labor market seems to be cooling a bit. Wage growth slowed a bit throughout the quarter and inflation seems to be pretty sticky. And one of the measures that we follow very closely is fuel prices and that's been obviously very volatile over the last couple of months.

So think about a cash-strapped consumer that's going paycheck to paycheck already and that puts a lot of pressure on their discretionary spending. And so people were very cautious with their dollars looking for value, looking to stretch its ability to spend -- especially on bigger ticket items which should lend well for our consumer base and as well as far as our products go.

So the non-prime consumer has been resilient and has done that over several cycles. And that's why it's important for us to get our underwriting right which we've done over the last several months, especially on Acima which improved 130 basis points.

As far as tax season goes, a little bit of a mixed bag, came in about 10% on average a little higher than year past which is on the low end of what people were talking about coming into tax season. Start off a little bit slower in February and then caught up in March. And by the time some of the money started to hit, you started having some of the fuel price implications.

And so what we saw was people started to still clean up delinquencies and losses, but definitely didn't exercise the payout options as much as they had in years past. And what that does is it has an impact on revenue, but also an impact on our gross profit margin, lesser so on Rent-A-Center, but much more so on Acima and you saw that in our gross profit increasing by about 60 basis points year-over-year.

So tax season, in line with what we expected, a little bit of betterment from a gross profit standpoint at Acima. And then with Brigit, tax season seasonality for Brigit, it's our most profitable quarter given that consumers are usually flushed with cash in the first quarter given tax season, we take it light on the marketing spend, and you saw that we generated almost 35% EBITDA margins in the quarter.

So a really strong start to the year on Brigit.

So tried to cover as much as I could, Kyle, in kind of the first question, but I'll leave it for you on a follow-up.

Kyle Joseph^ Yes. No. That's great. Appreciate it. And then just digging into Acima a little bit, kind of remind us exactly the timing on the underwriting changes?

Obviously they're having their desired effects. But just as we think about kind of the growth trajectory, recognizing GMV is the leading indicator for ultimately revenue over time.

Fahmi Karam^ Sure. Yes. We really started tightening, I would say in the second quarter of last year and into the summer months into the third quarter.

So we'll start lapping some of the changes, I would say by Q3 in earnest once we've kind of gotten through most of the changes.

But look, we're very pleased with where the portfolio health is at Acima. We were able to recognize some of the softness pretty quickly and within few quarters, get it back in line with our expectations. As we said, it was going to peak around 10% in the fourth quarter. It did that and it dropped 130 basis points into Q1.

So the first quarter GMV was a little bit below what we had thought. We were hoping to be flat year-over-year. But given some of the underwriting changes, given some of that macro pressure I just mentioned on the consumer, you couple those together, we were down about 6%.

But if you take a big step back and look at what Acima has done over the last few years, that GMV growth has been a great story at Acima. If you just take it over the last two years, the first quarter is still positive almost mid-single digits for the first quarter in GMV growth.

So, a little bit soft on GMV, but very happy with where the portfolio is and the health of the portfolio. And as you saw on the revised guide, we think the margin will be better than we thought coming into the year. And so again good news, delinquencies are down, losses are in line. The health of the portfolio is good. And if things get better from here, we know exactly where to go get some GMV and we're exactly to go get some of that growth.

But if things get worse from here, we also have a recession playbook that we can activate and be even tighter. Good news is I think we're pretty conservative as it is right now. So if something were to deteriorate and we had to get a little bit tighter, you would expect to see some trade down come our way which obviously would help with GMV.

So I would say Kyle, by the second half of this year, we should return to growth at GMV.

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

Robert Griffin^ I guess Fahmi, I wanted to stay on Acima.

Is there any way you can help put some context around how much of the GMV decline is from the tightening actions versus anything else in the industry? And I'm kind of asking, I

guess in context of the other peers that we look at and fully understanding everyone goes through different customer transitions and stuff at different times and as well as tightening actions.

But is there metrics like app growth or active doors or anything like that just to help us understand Acima's positioning remaining kind of strong and nothing else bleeding off to cause the GMV decline?

Fahmi Karam^ Yes. Look, I think it's a combination of the things I mentioned already, Bobby, between underwriting and just general softness with the consumer.

I would say the majority of what we saw in the first quarter is around the underwriting tightness.

I think we identified where the softness was pretty quickly. We took swift action and you saw that reflected in our GMV, both in the fourth quarter and the first quarter.

And just given the uncertainty in the environment, we think that's the right position to take, not knowing exactly how long or the impacts of the volatility in the market and the rising cost, how that's going to impact the consumer.

So, most of it is on the underwriting side. We feel like that's the right approach given the uncertainty in the market.

As far as the categories and maybe where the GMV is coming from, I would say most categories were down year-over-year in the kind of low single digit area. But for us, when you look at when we tightened, we really tightened around the jewelry category, and that was down probably low to mid-teens.

But generally, I would say it's an underwriting story around first quarter GMV performance.

Robert Griffin^ That's helpful. And then maybe just pivoting over to Brigit.

We don't have the full context of last year's 1Q, but it looks like it's off to a great start here with \$23 million of adjusted EBITDA.

Can you just remind us like what's built in, in terms of new products? I know there was a little bit of delay with getting some of the new products out we talked about last quarter, but what's in the guide again for '26 from a new product introduction? Any update there as we think about the strong start to 1Q?

Fahmi Karam^ Sure. Yes, very pleased with Brigit's performance in the quarter.

As Hal mentioned, revenue up on a comparative period over 40%, subscriber growth at 27% for the quarter and then ARPU up 12% which is a great sign. EBITDA contribution of \$23 million at almost 35% margin.

With a loss rate in line with what we thought, a little bit elevated year-over-year as we test out some of those new products and ramping up on the subscribers and just testing out.

We have multiple tests in the market with pricing. We've recently increased from the max from \$250 to \$500 on the EWA.

We have that new line of credit product that we've talked about in quarters past that's still scaling and performing in line with our expectations. We're poised to launch that later in the year more broadly than we have today.

I've mentioned it a couple of times on past calls for folks that we approve in the pilot, over 90% of them are actually opening an account which just tells you the level of demand and the level of conversion that that product is going to do.

We're taking a cautious approach, as we said last quarter, given the uncertainty in the market, any time you roll out a new product, you're focused on customer experience, making sure the underwriting is right, performance is right and the economics, the unit economics are right.

So we're making progress there. The guide for the year has us continuing to do those pricing tests and have the line of credit kind of come online later in the year. It's going to be more of a 2027 story than a 2026 story. Just again being cautious around making sure that we get the early reads on performance before we launch it more broadly.

Operator^ Your next call comes from the line of Vincent Caintic with BTIG.

Vincent Caintic^ First, I wanted to talk about your human talent. So, first, welcome to your new Chief Technology Officer.

I was just wondering, you've added a couple of new talents so far, if there's any more talent that you'd like to add to the Upbound team? And then I also saw that there was a turnover at Brigit. So I'm just wondering if there's any change to expectations on the earnouts.

Fahmi Karam^ Yes, happy to touch on both.

I'll start with our new CTO, Balaji, and mention building the team out over the last six or seven months since I've taken over from Mitch.

We've got a new CFO in Hal. We have our new Chief Growth Officer, Rebecca. And now we have our new Chief Technology Officer as we continue to try to accelerate our

transformation, accelerate our growth and our digital transformation in a pretty competitive and dynamic landscape.

And that's what this team is being built to do. And it was important for us to make sure that we have somebody who can tag along with the growth organization and really, again advance our abilities, both on the AI front as well as the data analytics front and then overall automation and digital platform front across the board. And then Balaji, we're excited to have him in the building and look for big things from him going forward.

On the Brigit side, yes, both of the founders are still in the business, but are going to transition into more of an advisory and consulting role in 2026. The CTO Hamel transitioned into advisory role this month in April and Zuben, the CEO, will transition in the second half of the year.

And this is a natural evolution that you would expect coming out of the transaction that the founders would eventually move on. They've been fantastic partners throughout the process and I feel lucky to have them as long as we had them. Most founders don't stick around this long and want to move on to their next big and exciting thing. And they've been great partners with us so far. And the good news is they built a great business that we have.

There are a lot of different things that we can do with from a synergy standpoint, a cross-sell standpoint and we're just on the forefront of all those things. So we're extremely bullish on our ability to take that business and grow even further from here. And as part of building that great business, as most companies do, they also built a great bench. And so we're excited that we're going to be able to promote from within and have leaders who have been in the business now for several years take on more and more responsibilities and keep the momentum that we have with Brigit going.

So again, to me, this is a natural evolution with the founders. They've been fantastic to-date and we look forward to kind of continuing the integration plan with Brigit moving forward.

Hal Khouri^ It's Hal here. Maybe just to bolt on to Fahmi's point around a strong bench.

Obviously bringing in fantastic leadership at the top of the house across the enterprise.

But I'd also say it goes beyond that as we look to bring on additional talent in support of the business across our leadership organization as well particularly in the areas of digital technology and advancement that we've been talking about, specialized expertise in AI, underwriting and across the platform overall.

So very excited to echo Fahmi's point around the broader talent that we have in the organization to continue the momentum that we have going.

Vincent Caintic^ Okay. Great. Very helpful.

Secondly, I actually wanted to switch over to Rent-A-Center.

So just kind of seeing the revenues and the EBITDA versus the GMV growth.

I'm just wondering what gets that business growing again in terms of the revenues and EBITDA? And then I also did want to talk about the Amazon partnership.

I thought that was really interesting. If you can maybe talk about what we should be expecting in terms of, I don't know foot traffic or if there's any economics that you can talk about there, that would be great.

Fahmi Karam^ Yes, happy to switch over to Rent-A-Center a bit. Another strong quarter for the Rent-A-Center business, second consecutive quarter of same-store sales growth coming off 80 basis points in Q4, growing at 40 basis points in Q1. And again, a tough operating environment.

If you look at our loss performance improved 20 basis points sequentially, relatively flat year-over-year. And if you compare that for the other businesses, the Rent-A-Center consumer probably has the lowest amount of income and is the most cash strapped. So we have to be very mindful of where the consumer is on the Rent-A-Center business.

So in a difficult operating environment to grow 40 basis points, we're very pleased with that and the segment continues to produce significant free cash flow.

As far as the Amazon partnership goes, yes, we're super excited about announcing that last week.

We've been piloting this concept with them now for several months and tested different ways to go to market.

We started out with some lockers, then shifted over to just having it at the counter on both sides, agreeing that, that was the better move.

So we'll be up and running in over 1,700 of our corporate-owned stores in June. And as I mentioned in our prepared remarks, this is a way for us to really leverage our footprint, create some new brand awareness, especially with the younger generation, add traffic to the stores and add a bunch of new customers or potential customers. And we know when people walk into our stores, our coworkers, are fantastic salespeople along with underwriters and account managers and everything else that we ask them to do.

But first and foremost, they are a sales organization and getting folks to walk in the door is going to be great for them.

In the pilot, we had about a little over 20 stores, almost 25 stores that were scattered across the country.

And what we saw from a traffic standpoint is that we saw about a little over 50 customers come in or consumers come in per store per week. And so heavy traffic and most of them were actually new to the Rent-A-Center business.

So you can do the math on that 50 per week per store at 1,700 stores, that's millions of customers coming into the Rent-A-Center business over the year and it's on us to convert those folks into leases. And something that we didn't have the pilot that we have up and running now and will be part of our launch in June. When someone selects Rent-A-Center as their pick-up or drop-off option, we're going to be able to actually, in real time give them a promotional item right there on the Amazon app. So very real-time marketing.

So we're super excited about it. It's a little early to kind of quantify the impacts for us, but it's a great place to start with a partner like Amazon and hopefully also introduce them to some of the other Upbound brands as we move forward.

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

Anthony Chukumba^ So I just wanted to see if I could get a little more color on that partnership that you mentioned with a large online furniture retailer.

I'm assuming that's Wayfair.

Specifically, if you can just give a little bit more color in terms of the semi-exclusive checkout partner, what exactly does that mean?

Fahmi Karam^ Yes, another one that's an existing partner of ours that we're going to trying to further expand our relationship with. And what this exclusivity gives us is a checkout option at the face of their website and it gives our ability for consumers to select Acima directly and have our own checkout button versus going through a waterfall where we would obviously have to compete for those applications, but also what this gives us is first look.

So it should give us hopefully not just more apps and more leases, but also better quality looks as well so we get rid of some of the competition and some of the adverse selection.

So that will be up and running later this quarter and should hopefully produce some nice tailwind for GMV into the second half of the year.

Anthony Chukumba^ That's helpful. And then just one real quick one on Brigit.

So you talked about on a pro forma basis, revenues were up, I think that was pro forma 40%.

I thought that the EBITDA margin was down a little -- a couple of hundred basis points on a GAAP basis.

I was just wondering what that would be on a kind of a pro forma basis for the adjusted EBITDA margin?

Fahmi Karam^ It's pretty close, Anthony, as far as we're moving just one month that's month of January, it's actually fairly close.

Look, the -- between a 33% and a 35%, some of that is just timing of marketing spend and marketing dollars.

But very happy with being able to generate that kind of EBITDA and that kind of cash flow, if you will, for Brigit in the first quarter. As I said, seasonally, that's going to be our big quarter. Going into the next quarter, given some of the traction that we're seeing on the marketing side, both from the fourth quarter spend and what we spent in the first quarter, we're going to lean into that into the second quarter.

And so we'll get back into the low teens to mid-teens EBITDA margin on Brigit in the second quarter, where if you recall last year, when we got to the second quarter, we didn't see that same level of conversion and traction on the marketing spend. And so we didn't actually spend much last year.

Given where we are, we're trying to grow that business and some of the conversion rates that we're seeing and the customer acquisition costs that we're seeing in today's environment, we're going to lean into that in the second quarter. And as you go -- as you look at the guide for the year for Brigit, we're right in line with our targets in the second quarter.

It's going to come off that mid-30s and be more in the mid-teens from an EBITDA margin standpoint.

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

John Hecht^ Most of them have been asked and answered. But Acima, focusing on there, the DTC marketplace is showing good momentum.

I think it's like 10% GMV growth. How does that cohort compare to the merchant-generated cohort? And how do we think about the focus there?

Fahmi Karam^ Yes. It's a big focus for us and it's been a nice growth story for us over the last several quarters, John.

I think we're starting to lap some of the onboarding of some of the bigger retailers, Amazon, Walmart that we put on the marketplace a year ago, but still a very nice channel

for us that's mostly 99% returning customers. And so it performs relatively well compared to the general population because we're able to market to returning customers.

It's a little bit buffered from the overall macro environment.

So that's the distinction between maybe just the regular population of retailers and the direct-to-consumers. They're returning customers, so we can market to them better. They're engaged with us already.

We still are dabbling in the personalization offers, both Rent-A-Center and Acima. Once we get that dialed in, that channel for both businesses is going to be really strong for us and a theme that you'll hear us talk about going forward.

John Hecht^ Okay. That's very helpful. And then a follow-up is you expressed your longer-term goals for leverage on the balance sheet. How big of that is a priority for you? Is that something that you think is going to happen in the near term? Or is that just a gradual deployment? And how do we think about just, call it, the capital allocation plans in the meantime?

Hal Khouri^ Yes.

It's Hal here. Maybe I'll take that one.

Obviously our goal and desire is to continue to bring down debt and our overall leverage position.

But first and foremost, it's continuing to lean into fueling the overall business.

And I think that subject to where we land through the back end of this year around GMV growth, the total overall demand is going to play into the equation as we look at overall free cash flow.

But certainly, we do have some distinct headwinds and tailwinds coming in. Certainly, from a tax standpoint, we're seeing some refunds come in as well as the benefits of accelerated tax depreciation from the One Big Beautiful Bill. That's going to be a tailwind. And we're going to leverage and use our cash flow to pay off some of the outstanding litigation that's out there, regulatory liabilities that are there.

So we're contemplating paying that off and then aggressively paying down the debt. And so our goal would still be to be in the 2x overall leverage range over time. But there's no real clock on that, I would say but just ensuring that the sources and uses of cash are being used appropriately.

Fahmi Karam^ One of the benefits, Hal, if I can just add on to that of being a little bit tighter from an underwriting standpoint is the higher cash flow generation and it gives us the ability to pay down debt if we're not getting the right risk-adjusted margin. And that's

the trade-off that we're going to make from an underwriting standpoint is we're focused on maximizing risk-adjusted margin. And if it's there, we'll lean into GMV. And if it's not there, then we'll benefit from the cash flows.

Hal Khouri^ And maybe just lastly, we've given a view and an outlook of roughly \$200 million of free cash flow this year, again subject to the performance on the overall business and the volumes, there may be some upside to that number as well as we look at the contribution to the balance sheet through the balance of the year.

Operator^ Your next question comes from the line of Brad Thomas with KeyBanc Capital Markets.

Bradley Thomas^ Fahmi, I wanted to just ask again about the underwriting trends. And if you could just help us get a better understanding of maybe what level of conservatism is in sort of the underwriting trends today.

I think we're all fearful of an environment where gasoline prices remain higher for longer and that, that just grinds away a bit at consumer spending. And so can you help us think about what kind of buffer you may have in the current underwriting and how that's tied to your guidance? And then maybe just as a quick follow-up to that.

Obviously we have a long history with Rent-A-Center and a medium history with Acima, but just any thoughts on the kind of sensitivity of the Brigit customer to a world where higher gas prices may go on for longer?

Fahmi Karam^ Sure, Brad. Look, on the underwriting side, we remain highly disciplined, highly, I would say conservative in our posture. And I just kind of mentioned it on the risk-adjusted margin piece. We are focused on making sure that from a capital allocation standpoint, we actually get the right risk-adjusted margin part of it.

So I would say we're fairly conservative right now and the guide has us remaining fairly conservative.

I would say from a portfolio yield standpoint on the Acima side, when you have lower 90-day buyouts, you typically have higher yields on those vintages.

We're not really forecasting that into the guide.

We're taking even a conservative approach there as well.

But we think that's the right thing right now in this environment. And as I mentioned earlier, if things get better, we know exactly where to go to get the growth.

And if things get worse we also have a playbook there that we can activate.

But whatever we're going into for the second half of the year, we feel like the portfolio is in a really good spot and we have the right tools and folks around the table to make sure that we stay very disciplined in our approach.

As far as the sentiment with the Brigit side, I think very similar to our other businesses around being paycheck to paycheck and cash strapped and that's one of the main benefits of us acquiring Brigit was for us to be more relevant to our consumers and have these liquidity solutions. And I've mentioned a little bit around some of the traction we're getting with our marketing spend.

I think it's because people are feeling that pressure and need that extra cash and that extra liquidity.

So that bodes well for subscriber growth, that bodes well for our margin profile. And as we test more and more expansion in -- from \$250 to \$500, the line of credit being \$500 over a longer period of time all those things point to more subscriber growth and hopefully better retention going forward. And the macro backdrop, I think also supports that thesis as far as those consumers go on the Brigit level.

Hal Khouri^ Maybe if I could just tack on there. There is quite a bit of sophistication that goes into our credit and underwriting modeling.

Looking at that by business segment, obviously the customer profiles will look a little bit different in terms of how they perform, looking at that across risk tiers, looking at that across categories as well looking at that in terms of the origination source that's coming through.

But to say we've been prudent around our overall credit management in this operating environment, I think is the right call.

Certainly, there's areas of opportunity for us, particularly as I think about the Brigit business that you referenced in there as well.

We could be a little bit more aggressive given the margins there, but we'll monitor that as the next few months unfold and get a better read on the broader environment and that will allow us to get a sense of the ability to kind of loosen up a little bit.

Bradley Thomas^ That's helpful. And as a clarification question on the new furniture partner agreement that you talked about, I just want to try and be clear. Fahmi, I think you referenced the phrase being exclusive. I'm just trying to understand, is that the exclusivity with the new checkout features? Or do you become the sole rent-to-own provider for this retailer with no other competitors in that tier for them?

Fahmi Karam^ It's the former, Brad. It's just on having the checkout button. Not exclusivity, so just on the button.

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

Hoang Nguyen^ Most of it have been asked, but maybe I want to dig a little bit deeper on Brigit. Obviously very, very strong growth there. But you continue to reiterate your expectation that some of that growth will get pushed out from '26 to '27.

I guess in the context of more volatile macro environment, I mean how do you think about that with respect to your product launches at this point, the cadence of growth this year and next year? And what could make you feel more confident to launch these new products earlier or maybe have to push them back?

Fahmi Karam^ I wouldn't say we're going to push it back. I think we're being pretty cautious right now. The easy thing for us to do is to turn it on broadly right now and add a bunch of subscribers but we're not there yet.

We think it's more prudent to take a cautious approach and roll it out over time. The market environment, as I said, it lends itself to more and more subscribers taking us up on our offer.

So in one sense, the environment is great for our existing products and we should see some hopefully upside from what we're guiding to now.

But the environment doesn't lend us to be really aggressive on the new products.

So I think it's too uncertain for us to go out with new products to new customers, especially when you're going again we talked about this, the earned wage access product typically gets paid back in 10 to 12 days and it's on average of \$75 to \$100 exposure per subscriber. The line of credit, you're up to \$500 over a much longer period of time. And so we just want to be very cautious and careful before we roll it out.

So like I said, the demand is there. Now we've just got to make sure the performance follows suit and then we'll roll it out. So the environment doesn't lend itself to being more aggressive on new products.

But I think what we've guided to between the end of this year and going into 2027 is appropriate.

Hoang Nguyen^ Got it. And maybe another one.

On the legal accrual, I saw that you guys added a couple of million dollars.

I think the bulk of it was last quarter when you expected most of these to be resolved pretty soon.

So I mean can you give an update on that?

Fahmi Karam^ Sure. Yes. I would say the accrual this quarter was more in the normal course where in quarters past, you saw a much bigger increase because the cases between the multistate and the one that -- the McBurnie one that we've already settled just hadn't paid off yet.

We actually paid off post quarter end.

But the \$2 million that we added this quarter, I think was just normal course not related to some of the bigger cases that we've talked about in quarters past.

Hal Khouri^ Maybe just to bolt on though, that we do feel that the provision and reserve that we do have on the balance sheet for legal settlements is appropriate. And again cautiously optimistic that we'll look to actually resolve those in the coming months.

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

William Reuter^ Given it's late in the call I'll just ask one. When you did see the spike in fuel prices, have you seen an immediate reaction from your customers in terms of reduced activity? I'm wondering how quickly you actually see changes in their behavior. That's it.

Fahmi Karam^ I wouldn't say it was an immediate response to it, probably more gradual. But we definitely saw the impacts of it.

We talked about the lower payouts and the people exercising the 90-day buyouts. It was noticeable.

But I wouldn't say it was an immediate shock just because people have to also get their arms around where it's going, the impact, how long it's going to be, those kind of things.

So it wasn't an immediate spike, but definitely a noticeable change in how they spent their tax refunds this year.

Operator^ Your next question comes from the line of Casey Coates with Loop Capital Markets.

Casey Coates^ I just wanted to ask on updates on the product mix.

I know furniture continues to be pressured and I believe you mentioned fashion, jewelry, but are you seeing any strength in other categories?

Fahmi Karam^ Yes. I think across the board, I would say given that most of the reduction in GMV came from tightening underwriting that it was pretty broad-based. And as I said earlier in the call most categories were down low single digits to mid-single

digits, but jewelry, given it's the highest loss content and the riskiest segment, that's the one that probably dropped the most when you look at it year-over-year.

Operator^ I would 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 Q1 performance.

I'm very thankful for the collective efforts of our exceptionally talented and dedicated coworkers and our merchants who helped deliver strong first quarter results while laying the foundation for the transformational year ahead.

We're grateful for your interest and support, and we look forward to updating you all again next quarter.

Have a great day everyone.