

**Upbound Group, Inc. (Q2 2024 Earnings)**  
**August 1, 2024**

Corporate Speakers

- Jeff Chesnut; Upbound Group, Inc.; Head of IR
- Mitchell Fadel; Upbound Group, Inc.; CEO
- Fahmi Karam; Upbound Group, Inc.; CFO

Participants

- Vincent Caintic; BTIG; Analyst
- Hoang Nguyen; TD Cowen; Analyst
- Robert Griffin; Raymond James; Analyst
- Bradley Thomas; KeyBanc Capital Markets; Analyst
- Derek Sommers; Jefferies; Analyst
- John Rowan; Janney Montgomery Scott; Analyst
- Carla Casella; JPMorgan; Analyst

**PRESENTATION**

Operator^ Good day. Thank you for standing by. Welcome to the Q2 2024 Upbound Group, Inc. Earnings Conference Call. (Operator Instructions)

I would now like to hand the conference over to your first speaker today, Jeff Chesnut, Head of IR.

Jeff Chesnut^ Good morning. And thank you all for joining us to discuss the company's performance for the second quarter of 2024.

We issued our earnings release this morning before the market opened.

And the release and all related materials including a link to the live webcast are available on our website at [investor.upbound.com](http://investor.upbound.com).

On the call today from Upbound Group, we have Mitch Fadel, our CEO; and Fahmi Karam, our CFO.

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

These factors are described in our earnings release as well as in the company's SEC filings.

Upbound Group undertakes no obligation to publicly update or revise any forward-looking statements, except as required by law.

This call will also include references to non-GAAP financial measures.

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

Finally, Upbound Group is not responsible for and does not edit or guarantee the accuracy of our earnings teleconference transcripts provided by third parties.

Please refer to our website for the only authorized webcasts.

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

Mitchell Fadel^ Thank you, Jeff. And good morning to everyone on the call today.

I'll begin with a review of the key highlights from the second quarter, and then I'll hand it off to Fahmi for a more detailed review of our financial results and our financial outlook. And after that, we'll take some questions.

We're very pleased with the results from the quarter, which included revenues of nearly \$1.1 billion, adjusted EBITDA of approximately \$125 million and non-GAAP earnings per share of \$1.04.

Our concentrated focus on execution paid off with Rent-A-Center's revenue up nearly 2% against the prior year and Acima's revenue up 19%, consistent with prior quarters.

These results were driven by a steady focus on performance at both segments. Acima continued a strong momentum with growth in merchant count, enhanced productivity of our existing merchants, and a growing contribution from Acima's direct-to-consumer e-commerce channel.

Our lease charge-offs were in line with our expectations as Acima finished the quarter at 9.6% and Rent-A-Center slightly better than expected at 4.2%.

We also delivered strong sequential improvement in Acima's adjusted EBITDA margin to 14.7% compared to 11.6% in the first quarter, which we'll discuss in a little more detail later in the presentation. With these results and based on our current expectations for the balance of the year, we're raising the midpoint of our previous guidance for revenue, adjusted EBITDA and non-GAAP diluted EPS.

So before we review our segment results, let's discuss some of the enterprise-wide themes we've seen across the past quarter. The economic backdrop for our business this quarter

continued to evolve. Unemployment edged higher to the 4% area, and while still low by historic standards, it's up from the 54-year low of 3.4% in April of last year.

We also monitor inflation levels, especially in categories like rent and food and fuel, and we're pleased to see June's headline CPI, which was the first negative month-over-month print in four years. That will be welcome news to our consumers since inflation can have a larger impact on lower income households.

Other factors like credit card debt and delinquencies, hard goods demand, BNPL balances and election uncertainty mean that the lower income consumer is confronting a blizzard of economic variables, but that's nothing new for our consumers. They're being deliberate in their spending choices as they seek value and flexibility while working to stretch their incomes.

So it's not surprising to see more reports of trade down activity, especially when factoring in the ongoing uncertainty over the credit card late fee regulations.

As the credit lenders above us in merchant waterfalls have implemented mitigating actions, we believe some have also further adjusted underwriting, which can then introduce new consumers to lease-to-own solutions. Although the read-through isn't exact, we are seeing recent trends of more applicants and higher scoring applicants on average, especially in our Acima segment.

Our data analytics team is constantly evaluating and adjusting our underwriting to adapt to this new dynamic environment to achieve reasonable risk levels while continuing to focus on sustainable and profitable earnings growth.

As this particular economic cycle evolves, we believe our business will be well-positioned for continued success.

As someone who's been around this business for a long time, over four decades in the industry and with this company, I've seen all variations of cycles, and I know that our business and our value proposition is not only durable, it's resilient.

Our consumers appreciate the low predictable payments that fit within their budget and the flexibility to continue to renew their short-term leases to acquire ownership to exercise an early purchase option and save or just terminate the contract at any time without penalties or even terminate and reinstate as their circumstances warrant. And we're truly omnichannel with a differentiated model across both of our main segments that enables us to meet the customer where and when they're ready to shop.

Our online presence offers convenience and selection while the in-store experience offers key values like seeing and testing out the products while building a relationship with our neighborhood-based store teams.

For our retail partners, we can deploy our staffed model, which puts an Acima leasing subject matter expert in their stores and can drive significant improvements in conversions.

Supporting all of these channels and team members are our centralized support functions where we optimize underwriting, account management, marketing and operations across the company to minimize cost and maximize efficiency while supporting our business units in delivering value to our retail partners and our customers.

Importantly, we have scale both with our 2,000-plus branded stores and our 35,000-plus partner locations. The business model has been built and tested for over 50 years now and in uncertain times like these, scale and liquidity are critical to manage through the headwinds and position the company for long-term success as the environment improves.

So the business is counterbalanced with an algorithm that supports profitable returns across economic cycles. Leaner macroeconomic cycles generally increase our business opportunities through trade down.

While more robust economies with healthy labor markets will generally see all cohorts performing better and generating lower losses. And that's how we deliver nearly 10% top-line growth this period with a consolidated loss rate that's in line with our expectations and geared to optimize profitable returns.

Now let's walk through the details behind our segment financial results on Slide 4.

Starting with Acima, we achieved our third consecutive quarter of GMV growth in the 20% range with an improvement of 21% in this most recent quarter.

Other than the stimulus period in 2021, we achieved a new record for the highest second quarter GMV that Acima has ever recorded.

Similar to last quarter, this was powered by two primary factors; the addition of new merchant partners as well as the lift in productivity from our existing network of retailers, which means we're transacting more leases per location.

In terms of new partners, Acima's business development team has signed up nearly 10% net new merchant nameplates year-over-year.

Now when we do focus on enrolling new retail partners, we're equally committed to providing our current merchants with top-tier service tailored to their particular business and retail specialty.

And by collaborating with them on our marketing initiatives, we're able to more effectively deliver the right message to consumers at the right time, like data-driven marketing campaigns or themed promotions, which provides a better experience for our customers and drives better outcomes for the retailers' top line.

Our current merchants see the value in these efforts, which is why active location count was up nearly 10% against the year ago period.

As a result, we saw a notable 35% lift in applications compared to last year. When you add together the more merchants and more effectiveness within those merchants, 35% application growth over last year.

But it's also important to remember that in the intervening year, we deepened our relationships with two of our enterprise partners in Wayfair and ashley.com, and will start to comp their enhanced volumes later this year.

I'm also pleased to share that Acima's direct-to-consumer offering continues to grow with GMV from that funnel up over 50% as we add brand name retailers to the site and continuously improve the shopping experience for our consumers.

While most consumers first encounter Acima when shopping at a retail partner, either in-store or online, our Acima marketplace also enables customers to start their journey directly with us. And with shopping destinations like Ashley, IKEA, Amazon, and Best Buy, our customers can quickly and easily find what they need and complete their lease on our site 24 hours a day, seven days a week, 365 days a year. Collectively, these are the efforts that resulted in Q2 revenues to be up 19% year-over-year.

Similar to Q1, average ticket size was down a little bit, so the top line lift was driven by the expanded penetration and the productivity that I've been talking about.

Overall, Acima exited the second quarter with a funded lease count that was approximately 24% higher versus last year as well as sequentially higher when comparing it against the first quarter of 2024. And from an underwriting standpoint, we continue to take a proactive and vigilant approach to risk management.

Our Acima segment loss rate was 9.6%, in line with our expectations and flat sequentially to last quarter. Despite the volume of applications increasing 35% year-over-year and the strong growth numbers we've been talking about, a seamless approval rate declined 160 basis points from last year. And in terms of delinquencies, Acima 60 plus past due rate in the second quarter was down 80 basis points from a year ago and down 90 basis points sequentially to the first quarter this year.

These results were in line with our expectations for the second quarter and with the Acceptance Now integration into Acima's decision engine nearly behind us, we remain very confident in our risk management outlook for the year.

As noted earlier, I'm pleased to share that our adjusted EBITDA margin at Acima improved by 310 basis points to 14.7% in the second quarter as compared to the first quarter as we began to experience some of the flow-through we talked about with that

higher GMV. The EBITDA margins from a year ago second quarter were atypically high and driven by the macro backdrop at that time.

So expecting the next couple of quarters of EBITDA margins at Acima to follow the current performance curve and land in this area, which is right in line with our expectations of low to mid-teens for the segment.

Our team at Acima has committed to running a lean business that realizes the scale inherent in this virtual platform model, and I'm confident we can continue to deliver sustainable profitable growth.

Now on Rent-A-Center, we finished the second quarter with a same-store lease portfolio that was up 140 basis points year-over-year, and that portfolio growth helped drive positive same-store sales growth of 2.6% as we carried forward the momentum from last quarter's positive same-store sales growth. Rent-A-Center's web channel volume continues to perform, and it represented approximately 26% of revenue in the second quarter, which was consistent with the year ago period. These elements helped deliver revenue growth of 1.9% year-over-year, which flowed through to gross profit with a similar lift.

Operating expenses increased approximately 4% compared to last year due to a combination of elevated labor benefits costs, delivery costs, and store technology investments.

We expect the labor benefits expenses to normalize in the back half of the year, especially with the store consolidation efforts this past quarter, and our fleet management team is actively working on operating strategies to optimize efficiency.

Our continued emphasis on underwriting and account management at Rent-A-Center resulted in a lease charge-off rate of 4.2% for the quarter, down 30 basis points from the second quarter of last year.

Our past due rate, which is an early indicator of potential future lease charge-offs was stable at 2.7% for the quarter, down 40 basis points sequentially. Although the pace of inflation has recently abated, which will reduce the economic pressure on Rent-A-Center's customer base over time, our account management efforts will continue to be an important element of customer connectivity in the near to medium term to help us maintain our delinquency and charge-off rates at our target ranges.

Overall, we're very pleased with our operating and financial results in the second quarter. Both segments successfully anticipated and met our customers' and merchants' expectations, enabled us to achieve that 21% GMV growth at Acima while meeting that mid-teens EBITDA margin target, along with the same-store sales growth at Rent-A-Center.

These results, along with the momentum we've already seen in the early July results give us confidence that we're tracking well towards achieving our updated and increased full-year targets.

So on Slide 5, let's review the status of the strategic priorities we outlined for the year.

At Acima, we believe we continue to grow our market share with a nearly 10% increase in merchant partners year-over-year, with additions such as Purple mattress, and iFIT whose family of brands includes NordicTrack and ProForm.

We also onboarded two of the top 50 furniture retailers in the U.S., Levin Furniture and Slumberland furniture. And while we haven't yet seen the hardlines category fully recover from the pandemic era pull-forward, we believe our lineup of merchants in that vertical is poised to accelerate when it does.

In fact, we now partner with six of the top 15 furniture retailers in the U.S. And it's important to note that in addition to maintaining a strong presence among the largest furniture retailers, our teams have the talent and technology to deliver superior service and outcomes to sizable partners in a number of retail categories. And even as we add national and regional accounts, Acima's merchant network remains well-diversified.

In the second quarter, our largest retailer represented approximately 6% of total GMV and the top five were collectively about 20%.

We strongly believe that the diversification of our merchant base and product categories will help provide a stable foundation of predictable and sustainable growth for the future.

So we continue to add national and regional players, but we also had the smaller players to keep that diversity and grow.

One of our recent operational priorities has been the migration of the Acceptance Now staffed business from the legacy underwriting platform over to Acima's decision engine.

I'm pleased to report that the journey is nearly done with only a few stores in Puerto Rico remaining.

As we wrap up our conversion, I'd like to speak to the benefits of the initiative.

For our retailers, we can embed Acima team members onsite at certain high-volume locations to supplement the merchant's in-house team.

Our representatives can serve as the leasing coordinator to help customers complete an LTO transaction in between transactions they can reinforce the training we provide to the retailer staff about Acima's leasing process.

At hundreds of locations across the country, our team can drive nearly double the conversion rate of a non-staffed store while allowing the retailer to redeploy resources more efficiently.

In terms of underwriting and consumer experience, the shift is a really important milestone for Acima. The legacy platform was not designed for virtual e-com transactions. Given Acima's fully virtual model, the decision engine was designed from the beginning to handle digital orders and should deliver stronger lease outcomes with lower losses.

From a customer experience standpoint, the Acima platform allows our customers the flexibility to fully check out online without speaking to one of our representatives or physically going into the retail store like they had to do at Acceptance Now. This should improve conversion and increase GMV at these locations because now they can best handle the whole spectrum of customer interactions.

We're excited about the opportunity to improve yields, increase GMV for those merchant partners and supplement our staff business with a sophisticated underwriting platform.

At Rent-A-Center, we've highlighted our continuing investments in technology and in particular, in our digital channels to help us seamlessly serve our customers, whether it's in-store or online. And those investments are paying off with nearly 17 million visits to rentacenter.com in the second quarter, which increased double-digits against the year ago quarter.

Our web visits being up double digits reflects our team's efforts to drive online traffic and create a consistent friction-free customer experience across each of our channels. More specifically, we've added new identity validation steps to expedite the online checkout process for customers while improving our ability to screen out fraudulent traffic.

As we see more of our customer interaction shift to digital channels, we have an opportunity to optimize our store footprint, which is already closely managed based on key store level metrics we look at and what's going on in the local area. And based on those variables, we consolidated 55 stores or approximately 3% of our company-owned stores during the first half of the year, most of which took place in the second quarter. And we expect to maintain those relationships with the majority of customers by serving them in a nearby store or by engaging them online.

And going forward, we'll keep working to strike the right balance to serve our customers efficiently across all our connection points while optimizing Rent-A-Center's scale and productivity.

At the Upbound level, we continue to test and learn in the consumer credit space through our partnership with Concora.

We've made sequential progress each month since we launched the pilots in February for the Acima Classic Credit General-Purpose Mastercard and the Acima Private Label Credit Cards, each of which expands our offerings as well as financial access for our customers.

In particular, we've been pleased to see that the private label offering has resonated with our existing and prospective retail partners.

Some of our current merchant partners are looking to streamline their vendor relationships and our combined second look and LTO offering delivers increased opportunities to serve more consumers with our leading solutions.

We've also found that potential clients, especially those without an incumbent second-look credit provider appreciate the one-stop-shop approach, especially when considering integration effort for the POS systems.

As a reminder, we structured our existing partnership with the Concora, so we're not taking any credit risk and our economics are driven by upfront fees and revenue sharing.

Also at the Upbound level, we continue to make significant investments in digital technology to support our business.

Our strategic initiatives on the connected enterprise are on target to supercharge our omnichannel strategy within Rent-A-Center and across the organization. The recent launch of RacPad, our next-generation cloud native POS system sets the direction towards an integrated customer experience across all channels.

Its microservices architecture promotes swift development of features and product integration, prioritizing customer experience and boosting coworker efficiency with user-friendly workflows.

Our online traffic continues to show double-digit growth and to support this increased demand, we're introducing a new e-commerce platform based on a modular architecture that will allow our brands to adopt, deploy, and scale an omnichannel sales approach focused on increased conversion and retention rates.

As we reduce our data center footprint, both of these initiatives mark a significant milestone of improving scalability of our operations, reducing technical debt and bolstering our cyber resiliency, which are key components to support our growth.

Overall, there is still plenty of uncertainty in the market, whether it's where the economy is headed, consumer sentiment, industry dynamics or even the upcoming election.

But we view that as an opportunity as our business is built to succeed across these cycles.

We're already passionate about serving our current customers, and we expect new customers will discover our product offerings as trade down continues. And when they do, we'll be ready as a trusted brand to help them get the products they need to live their lives -- their daily lives to the fullest.

Now before I hand it off to Fahmi, I'd like to briefly address the lawsuit of Acima leasing filed against the CFPB last week.

We brought this action in Texas Federal Court seeking to halt what we contend is the CFPB's unauthorized attempt to expand its authority, which is limited by federal law and usurp the long-standing comprehensive state regulatory framework governing our industry, governing the lease to industry.

As you know we previously disclosed that the CFPB has been conducting an investigation of Acima that began prior to Upbound's acquisition of the company in 2021.

After this protracted investigation, the CFPB threatened an imminent enforcement action against Acima.

Now I want to make clear that Acima filed this lawsuit reluctantly. Despite our long-standing cooperation, we ultimately concluded that CFPB was not prepared to settle with Acima on acceptable terms. Then as expected, the CFPB subsequently initiated an enforcement action against Acima on July 26, alleging violations of various federal consumer financial protection statutes.

We believe the CFPB is engaging in forum shopping by filing a lawsuit in Utah after our lawsuit was already pending in Texas addressing the same subject matter.

We strongly contest their claims and will vigorously defend ourselves against them.

So as you would expect, though, because of the pending litigation, we're not able to comment any further on this matter.

So as I wrap up my section, I'd like to thank my exceptional teammates across all the corners of our business for their energy, their enthusiasm and their dedication.

I know they're just as excited as I am about carrying the momentum from the first half of the year across the second half and beyond. Whether working on segment-specific projects or collaborating on enterprise-wide priorities, our co-workers are the driving force who help us deliver a strong finish to the year.

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

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

I'll start today with a review of the second quarter results and then discuss our outlook for the rest of the year, after which we will take questions. Beginning on Page 6 of the presentation. Consolidated revenue for the second quarter was up 9.9% year-over-year, with Acima up 19% and Rent-A-Center up 1.9%. Rentals and fees revenues were up 9.7%, while merchandise sales revenue increased 17.3%, reflecting a larger portfolio balance at Acima coming into the quarter.

Consolidated gross margin was 49.4% and decreased 230 basis points year-over-year with a 190 basis point decrease in the Acima segment and a 40 basis point decrease in the Rent-A-Center segment. Consolidated non-GAAP operating expenses, excluding lease charge-offs and depreciation and amortization, were up mid-single digits, led by a low double-digit increase in non-labor operating expenses including delivery costs at Rent-A-Center and a high single-digit increase in general and administrative costs, which was a result of targeted corporate investments in technology and people. The consolidated lease charge-off rate was 7.2%, a 30 basis point increase from the prior year period and in line with our expectations.

On a sequential basis, the consolidated lease charge-off rate increased 20 basis points due to a 50 basis point sequential improvement at Rent-A-Center. Consolidated adjusted EBITDA of \$124.5 million decreased 4.6% year-over-year with higher Acima segment adjusted EBITDA, offset by lower Rent-A-Center segment adjusted EBITDA and higher corporate costs.

Adjusted EBITDA margin of 11.6% was down approximately 170 basis points compared to the prior year period, with approximately 160 basis points of contraction for Rent-A-Center and approximately 210 basis points of margin contraction for Acima, offset by a 20 basis point decrease in corporate costs as a percentage of sales.

I'll provide more detail on the segment results in a moment.

Looking below the line, second quarter net interest expense was approximately \$28 million, which is roughly flat compared to the prior year period. The effective tax rate on a non-GAAP basis was 25.8% compared to 25.5% for the prior year period. The diluted average share count was 55.8 million shares in the quarter.

GAAP earnings per share was \$0.61 in the second quarter compared to a loss per share of \$0.83 in the prior year period, which was driven by the prior year tax impact associated with the vesting of restricted stock awards issued in connection with the Acima acquisition. After adjusting for special items that we believe do not reflect the underlying performance of our business, non-GAAP diluted EPS was \$1.04 in the second quarter of 2024 compared to \$1.11 in the prior year period.

During the second quarter, we generated \$600,000 of free cash flow, which decreased from \$24.7 million in the prior year period, primarily due to the increase of GMV at Acima.

We distributed a quarterly dividend of \$0.37 per share, and we finished the second quarter with a net leverage ratio of approximately 2.8x. Drilling down to the segment results starting on Page 7.

For Acima, double-digit year-over-year GMV growth continued for the third consecutive quarter.

Following nearly 20% year-over-year growth in the prior two quarters, GMV grew 21% in the second quarter and approximately 15% on a 2-year stacked basis. The GMV lift was driven by year-over-year growth in key underlying drivers with active merchant locations up 9.8% year-over-year, more productivity per merchant and applications increasing over 35%. Those tailwinds were partially offset by lower approval rates as we remain disciplined in our underwriting approach as inflation continues to impact our core consumer base. The net asset value of inventory under lease was up approximately 23% year-over-year.

Revenue increased 19% year-over-year including an 18.2% increase in rentals and fees revenue and a 22% increase in merchandise sales revenue due to a larger portfolio at the beginning of the second quarter compared to last year. Lease charge-offs for the Acima segment were 9.6%, 70 basis points higher year-over-year and flat sequentially. The year-over-year increase in Acima's lease charge-offs was in line with our expectations as the ANow leases originated on the legacy decision engine continue to wind down. The conversion will strengthen our underwriting capabilities and should reduce lease charge-off rates as prior cohorts from the legacy system wind down throughout the year.

Operating costs, excluding lease charge-offs were up on a dollar basis, approximately \$4.6 million in the second quarter, which was 60 basis points lower as a percentage of revenue.

Adjusted EBITDA of \$81.3 million was up 4.5% year-over-year, primarily due to the 19% increase in revenue that was partially offset by a 22.5% increase in cost of goods sold. Adjusted EBITDA margin of 14.7% increased approximately 310 basis points sequentially and decreased approximately 210 basis points year-over-year, primarily due to a 190 basis point contraction of gross margin compared to the second quarter of 2023. The decrease in gross margins compared to the prior year was a result of a few factors including a growing portfolio where revenue lags GMV production, an increase in merchandise sales, which represented a larger percentage of revenue compared to the prior year period, and the conversion of Acceptance Now locations to the Acima platform, which increases merchandise depreciation expense and cost of goods sold. EBITDA margins were impacted by higher labor costs, underwriting costs as application volumes significantly surpassed the prior year and the performance of the legacy ANow portfolio, increasing our LCO rate. All of these headwinds were in line with our expectations were included in our guide for the year and are expected to improve as we get into the second half of this year.

For the Rent-A-Center segment, at quarter end, the same-store lease portfolio value was up 1.4% year-over-year, while same-store sales increased 2.6% year-over-year, improving from an 80 basis point increase in the first quarter of 2024. Total segment revenue grew year-over-year for the second consecutive quarter, increasing 1.9% compared to the second quarter of 2023 and improving from a 20 basis point year-over-year increase in the first quarter of this year. The increase in revenue was driven primarily by a 2.1% year-over-year increase in rentals and fees revenue, while second quarter merchandise sales revenue increased 1.6% year-over-year, an improvement from a 3.6% decrease in the first quarter. These charge-offs were 4.2% of revenue in the second quarter, 30 basis points lower year-over-year and 50 basis points lower sequentially, a result of ongoing underwriting and account management efforts. 30-day past due rates averaged 2.7% for the second quarter, up 10 basis points from the prior year period and 40 basis points lower sequentially.

Adjusted EBITDA margin for the second quarter decreased 160 basis points year-over-year to 16.3%, primarily due to higher operating expenses including elevated labor benefit costs, delivery costs and store technology investments. This is reflected by a 150 basis point year-over-year increase in the ratio of non-GAAP operating expenses, excluding lease charge-offs to segment revenue.

For the Mexico segment, adjusted EBITDA was higher year-over-year and the franchise segment's adjusted EBITDA was lower. Non-GAAP corporate expenses were approximately 7% higher compared to the prior year, primarily due to additional investments in technology and people.

Shifting to the financial outlook.

Considering our sustained momentum through the first half of the year and the latest projections for the macroeconomic environment, we are pleased to raise the midpoint of our full year 2024 targets for revenue, adjusted EBITDA and non-GAAP diluted EPS.

Our portfolio and GMV growth, coupled with low delinquencies, give us confidence that we can improve margins in the second half of the year and achieve these updated targets.

Our forecast continues to assume a generally stable macro environment with durable goods demand remaining under pressure and continued discipline in our underwriting.

At Acima, we'll start comping against higher growth rates in the third quarter.

So we expect GMV growth to drop from the 20% area we've achieved for three consecutive quarters to low double digits in the upcoming quarter.

Rent-A-Center's portfolio value is expected to seasonally drop in the third quarter from the second quarter, similar to the prior year.

For both Acima and Rent-A-Center, we expect third quarter revenue to follow the same sequential pattern as in 2023, with a slight increase sequentially at Acima due to a growing portfolio.

We expect losses to remain within our previous guidance commentary for the year with Rent-A-Center experiencing a typical seasonal uptick in the third quarter from the second quarter and to be in the 4.5% range. Acima losses are expected to improve in the third quarter as the legacy ANow portfolio continues to wind down and finish in the 9% area for the quarter.

In terms of adjusted EBITDA margins for the third quarter, the Rent-A-Center segment will follow a similar seasonal trend from Q2 to Q3 as we experienced last year and be down sequentially to the mid-teens area.

The store optimization efforts this past quarter will have a minimal impact to the financials for the year, with pressure on total segment revenues offset by lower expenses, which should slightly improve adjusted EBITDA margins going forward.

We expect Acima to realize an improvement in adjusted EBITDA margin sequentially as flow-through from higher GMV continues to benefit the P&L and from lower loss rates.

If trade down activity continues to expand, GMV could improve from our guidance today.

We are assuming a fully diluted average share count of 55.8 million shares for the quarter with no share repurchases assumed in our guidance.

Interest expense and our tax rates are expected to be similar to the second quarter, resulting in a non-GAAP EPS range for the third quarter of \$0.90 to \$1.

For the quarter, we expect to generate \$60 million to \$75 million of free cash flow and increase sequentially due to the pace of growth changing at Acima, lower inventory purchases at Rent-A-Center and timing related to other working capital needs that were recorded in the second quarter.

For the year, we are revising revenues to be in the \$4.1 billion to \$4.3 billion range, adjusted EBITDA to be \$465 million to \$485 million, and we're tightening our full-year guide of non-GAAP EPS to a range of \$3.65 per share to \$4 per share.

Our 2024 outlook reflects our continued focus on execution to drive sustainable and profitable growth. The midpoint of our revised guidance compared to 2023 represents a 4% increase in revenue, a 5% increase in adjusted EBITDA and an 8% increase in non-GAAP EPS with no share repurchases assumed.

Our ability to navigate this challenging environment and generate earnings growth at both segments while meeting our margin and loss targets is a testament to the entire team's effort and dedication to drive shareholder value.

In terms of capital allocation, we have a proven business model that generates strong operating cash flows over time and an experienced management team to allocate those cash flows in support of our strategic priorities.

Our first priority continues to be supporting growth with profitable leases and innovative ideas that will improve our customer interactions and merchant outcomes. Concurrently, we will focus on enhancing shareholder value by maintaining our commitment to our dividend program and being opportunistic regarding share repurchases.

I'm pleased to share that during the second quarter, we optimized our capital structure in support of our long-term capital allocation priorities. Capitalizing on our strong recent performance and favorable market conditions, we refinanced our term loan debt, which resulted in over 60 basis points of annual interest savings while also extending the maturity of our \$550 million ABL revolver through 2029.

Combined, these enhancements to our capital structure secure our liquidity position while reducing the cost of capital for the company.

We expect the balance of our free cash flow this year will go towards deleveraging as we progress towards a net leverage ratio of under 2x and towards our long-term target of 1.5x.

We ended the second quarter at 2.8x, up from 2.7x at the end of the first quarter due to an increase in working capital needs to support GMV growth. The strength of our balance sheet helps to insulate us from market volatility and enables us to act confidently and decisively when pursuing our strategic priorities.

As of quarter end, we carried nearly \$0.5 billion of available liquidity, which enables us to invest during periods of broader uncertainty, whether supporting our homegrown initiatives or targeted inorganic opportunities.

Wrapping up on Slide 11.

We're encouraged by the company's sustained momentum across the first half of this year, which included top line growth at both primary segments, GMV growth at Acima and same-store sales growth at Rent-A-Center and importantly, a notable improvement in adjusted EBITDA margins at Acima in line with our low-to-mid-teens target.

Our prudent risk management and account management strategies helped deliver loss rates that were in line with our expectations and allowed us to raise the midpoint of our guidance as we look out across the balance of the year. Going forward, we will continue to execute against our day-to-day priorities to serve our customers and elevate our retail

partners' businesses while pushing forward with new ideas and business strategies that will help us achieve our long-term growth plans. Thank you for your time this morning.

Operator, you may now open the line for questions.

## QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) The first question will come from Vincent Caintic.

Vincent Caintic^ Great results this quarter.

First, I wanted to focus on the trade down opportunity you've discussed and it was very encouraging to see that 35% higher applications.

I'm wondering if you could talk about how much that's lifting your business so far, the trade down opportunity if you see more of it? And then you brought up Concora, and I was just wondering if there are opportunities to grow that with this trade-down opportunity or if there's other ways to take advantage of that?

Mitchell Fadel^ Vincent, this is Mitch. Yes. The trade down is certainly front and center when we look at everything, all the data and certainly the advantage scores and things like that. And of course, you're hearing it throughout different businesses, and we're certainly no exception with those 35% applications. When you say how much comes from one place versus the other, we think about 10% growth in merchants, 50% growth on our direct-to-consumer, which is a small piece, but it still drives some of that 21% GMV growth. And then the productivity of the merchants really is where the trade down comes in as well as our team's just doing a better job training those merchants and getting in first position in those stores or exclusivity and so forth.

Fahmi Karam^ I don't know if I had to break down 21%.

Mitchell Fadel^ Yes tends with new merchants.

One or two maybe is coming from the direct to consumer, even though that's 50% growth, it's a small number. And the rest is a combination of the trade down and our sales team working with those merchants to get in a better position.

So maybe it's somewhere between, I don't know Fahmi, 30% and 40% -- of the 21%.

It's kind of hard to put a number on it, but it's definitely a part of it.

Fahmi Karam^ Yes.

I would say the way I would break down the growth in GMV, and I think you covered it, Mitch, which is about 50% of it or just under 50% of it came from new merchant locations. 5% of it came from the direct-to-consumer and the marketplace growth and the

[rest of it] came from merchant productivity, and that's probably where you see some of the trade down impact.

So maybe it's more like 25% of our growth, 25%, 30%, 40%, somewhere in that range.

But it's not like 1% or 2%, it's definitely real.

And we would continue -- we'd expect it to continue and if it accelerates, then there's even upside to our numbers.

Mitchell Fadel^ On the Concora question, yes, I think with the second look provider because it's still a subprime offering or near prime offering with our retail partners. There's certainly a lot of interest in it as there's tightening above the near prime tightening with the prime lender.

So I think that does create opportunity.

As we mentioned in our prepared comments, as Fahmi mentioned, the retailers really like that -- we're hearing lots of good anecdotal stories about liking the one-stop shopping and those kind of things.

So it's kind of just taking off.

But yes, we do think that creates opportunity in this environment.

Vincent Caintic^ That's very helpful. And actually, following up, it's a good segue. Just I want to get a sense of maybe the merchant engagement and if any of those merchant discussions have evolved and changed? I guess, to your point about if there's trading down and what's happening? Is that the higher credit providers are tightening up?

And I would assume that there would be more merchant need for your product.

So if you could maybe talk about merchant engagement, now that's the opportunities there?

Mitchell Fadel^ Yes.

I think that's certainly happening with our -- from an SMB standpoint, when you think about 10% net merchant growth year-over-year, you think about a couple of the signing just last quarter, a couple of the top 50 furniture retailers like Levin and Slumberland and more in the pipeline.

So yes, I think that's definitely happening. The pipeline is robust. The team at Acima is doing a great job bringing in new partners.

Obviously the bigger the partner, the longer the cycle runs, but the regionals they're bringing in and the SMBs are bringing in, they're just doing an excellent job.

Operator^ (Operator Instructions) The next question comes from Hoang Nguyen with TD Cowen.

Hoang Nguyen^ Congratulations on the quarter. Just wanted to touch on the guidance.

It looks like you guys raised the high end of revenue guidance, but I mean didn't raise the high end for EBITDA and EPS.

I mean can you touch a little bit on the rationale behind that? I mean does it have to do with more mix of merchandise sales versus rental and have a follow-up?

Fahmi Karam^ Yes. I think the guide for the year, especially on the revenue side, really reflects the GMV growth that we've experienced over the last couple of quarters.

Obviously this is the third quarter in a row where we've had nearly 20% growth in GMV, and we started to reflect that now into the revenue guide.

As far as the margin profile goes, I think we talked a little bit about it last time as far as having some really tough comps coming into the year, especially in the first half.

We think that improves when we get into the second half, especially on the Acima side, Q2, we start to see some of that flow through from GMV come into play.

So Q2 was better than Q1, and we expect Q3 to be better than Q2.

And so nothing really as far as the mix goes, just more kind of where the trends have been heading towards the margin profile for the year and then where revenue is coming in.

I think for Q3, the guidance consistent will be up on the revenue side and then flat to slightly better on the margin side.

Mitchell Fadel^ I think I'd add to that, Hoang. This is Mitch.

As Fahmi mentioned, as we talked about last quarter, the margins take a little longer to catch up with the large GMV growth.

We saw it this quarter, right, with the 310 basis point improvement in Acima's EBITDA margin.

So you're starting to see that flow through, and there's more to come, but it does run a little behind the revenue.

It's kind of the short answer to your question.

Fahmi Karam^ And I'd also say from a guidance standpoint, the -- you got to remember, we had a lot of momentum going into the year.

We had -- in the fourth quarter, we had almost 20% GMV growth at Acima and Renter-A-Center was starting to turn positive on the same-store sales.

So we had momentum. We knew it was going to carry over. We saw a trade down coming, and those kind of things.

And our original guide was relatively stout. When you think about the revenue -- our original guide, the revenue was up 3% year-over-year, and the EPS is up about 6%. And now we've updated it, and I'm just talking midpoints, -- when I say this, now revenue instead of 3% year-over-year is 5% and EPS instead of 6% above last year to 8%.

So we started out with pretty high numbers.

We have a small race here, but I just want to remind everybody, we started out pretty high with the 3% year-over-year on revenue.

Now it's 5% and EPS at 6%.

Now it's 8%. And as trade down continues, we hope to outperform.

But we're pretty excited about the flow-through we're starting to see now as I mentioned, with that -- when you look at the Acima margins compared to the first quarter.

Hoang Nguyen^ And maybe if you can talk a little bit about the court fight with the CFPB, you guys sued them in Texas, they sued back in Utah.

I mean can you talk high level about the next step in the process? And maybe in terms of the value and what's the next milestone will be?

Mitchell Fadel^ Well I can't -- with ongoing litigation, I can't say a lot in my prepared comments.

We have to suffice -- as I said in my prepared comments, we think they're formed shopping by filing in Utah when there was already our case pending in Texas addressing the same subject.

So we'll strongly contest our claims and defend ourselves from them trying to take over state regulatory framework that's governed our industry for a long time, like I said in my prepared comments.

But as far as next steps and all that, we'll have to leave it at that rather than get into a legal discussion about next steps -- I'm not an attorney, and of course, they'd yell at me if I say any more than I've already said anyhow.

So we'll have to leave it at that.

Operator^ (Operator Instructions) The next question comes from Bobby Griffin with Raymond James.

Robert Griffin^ Congrats on another good quarter of momentum.

So Mitch, my first question really is kind of on that on a high-level aspect.

It seems -- if we look at your results as well as some of the peers' results, the industry is really starting to see some inflection points, whether it's on GMV growth, trade down, the portfolio performance, et cetera, what could potentially derail that? I guess, if the question is, is it just availability of credit becoming more available again? Or like when you kind of sit here and you kind of think out on multi-quarter or even kind of a year basis, what do you worry about that could derail some of this momentum?

Mitchell Fadel^ It's a good question.

I see only -- I'm usually the optimist in the room, but I see only positive things coming, Bobby, with the trade down.

Of course, we talk about all the time about how resilient we are in a good economy where we did great.

I mean we're still trying to catch the record numbers we did from stimulus money.

So when people have money, we do great too.

So it's such a resilient model.

I think you're seeing it now -- also when -- some subprime -- traditional retail at subprime is having some headwinds, right, with a lot of closures out there but not the least owned industry.

I mean Rent-A-Center going positive as well as, of course, the alternative of Acima being within our retail partners is going strong, even though subprime retail, like I said, there's a lot of closures.

So that's the benefit of our -- of the lease on business model.

It's there for all retailers for those customers that don't have the credit, you don't have to start out in a subprime store.

But there's actually tailwinds coming from even some of those closures I mentioned probably when you think about for companies like -- or segments like Rent-A-Center.

So I don't know Bobby, I'm not really -- I don't -- I just -- I worry about our strategy and things like that and are we executing in and talk to the team all the time about execution.

I'm worried when -- are we taking advantage of every opportunity, things like that.

But as far as something derailing the trend, I just -- I don't see anything.

Robert Griffin^ Fair enough. That's helpful. And I guess my second question is kind of a combo question just on the Acima side of the business.

I mean first, with the momentum that we now are seeing across the industry and as well as your results.

What are you seeing competitively?

Is everybody still behaving from a competitive standpoint because I know competition is tough out there? And then can you just define how you guys really define pipeline? Like what are those active merchants that are in conversation about actually engaging -- or is it just a list of potential merchants? Like what exactly is in the pipeline where we know how real it is and how the timing or maybe we can try to take an estimate at the timing of them becoming actual customers?

Mitchell Fadel^ When I say pipeline, I'm talking about active conversations, not just the list. Like last quarter, we talked about there's some good regional players in the pipeline, and then we end up signing Levin, Slumberland, Purple, iFIT, things like that.

Some of those are regional furniture players, obviously Purples more of a nationwide e-com player for mattresses, even though they do have some stores and so forth.

So it's -- we're talking about active conversations. And of course, our sales team of field sales and inside sales, a little over 100 people.

They're -- they got tons of conversations going on with the one and two and 3-star merchants, and they're up 10% year-over-year, almost 10%.

So they're knocking it out of the park as they have for many years.

So competition is about the same.

I wouldn't say competition has gotten any stiffer or crazier as far as offerings and things like that.

I'd say that's been pretty consistent.

Of course, competition on the Rent-A-Center side is probably less than it was when we think about the store closures that are happening out there with some of our -- not even -- not direct competitors, but indirect competitors that do business similarly with the same customers.

So as I mentioned earlier, we see some of those closures as opportunities, especially on the Rent-A-Center side.

Operator^ (Operator Instructions) The next question comes from Brad Thomas with KeyBanc Capital Markets.

Bradley Thomas^ Let me add my congrats on some nice results here as well.

I wanted to follow up more on the growth, Mitch. Yes, absolutely well deserved. And I was hoping you could add a little bit more perspective on what you're seeing from a category perspective? And I say that with the knowledge that the -- many of your end markets, the retailers are seeing very challenged trends.

So curious what you're seeing from a category perspective in terms of some of those dynamics like new merchant growth and what you're seeing from the D2C and productivity standpoint as well?

Fahmi Karam^ Good morning, Brad. This is Fahmi. Yes. I think from a category standpoint, I think it's been pretty steady year-over-year as far as kind of our mix of where the GMV is coming from.

But I would say that we are starting to see some -- a greater mix coming through the e-com channel.

We've talked about Wayfair and ahsley.com.

So we've seen a greater mix of e-com, which tends for us to be heavier on the furniture side.

So when you look at the categories, I would say there's softer demand on furniture and some of those household categories that we've talked about.

But for us, we're offsetting that with some of the productivity gains and some of the merchant gains that we've talked about.

So even though furniture may have some softer demand in applications on a per-location basis may be down, what we're seeing is that 35% increase because of some of the things that we've talked about.

So the mix is changing a little bit as far as whether brick-and-mortar versus e-com.

I would say auto and jewelry also very strong when we look year-over-year from growth in applications and the growth in GMV standpoint.

So it's pretty much -- the growth is coming across the board.

We also talked about average ticket size. Average ticket size has come down. That's also partly of mix.

Typically, our average ticket size is lower on the e-com side, but there are some pricing benefits that we're seeing across the board as well.

So some of that is also underwriting as we look to tighten on the bottom, we do cut the average ticket size.

So I would say the growth is coming across the board across all categories.

Mitchell Fadel^ Yes. And when you add it -- when you add it up -- that's well said, Fahmi.

But Brad, when you add it up, it's -- it can be, let's say, less than intuitive that -- especially in the furniture business, with the business, a lot of people -- public companies, at least, and even private companies talking negative same-store sales and things like that.

But when you add growth and trade down together, we still have growth in furniture. A good example of the large furniture company that reported numbers this morning was slightly negative revenue, but we're up with that merchant.

And is that trade down? Is that because our product offering is the best product offering they have? I don't know it's probably a combination of all that, but we're up with that merchant.

So we can be up with a merchant that's down in revenue. And then when you add 10% growth in merchants to that factor that I just mentioned, in other words, add growth and trade down together, that's how you can be going up as a way of maybe what people think is happening in the furniture industry.

Bradley Thomas^ That's very helpful. Maybe to follow up a little bit on Bobby's question.

I don't know that I'd say derailing, but a question that we had asked is sort of thinking about how different macro scenarios might impact you all. And so I guess the question, Mitch, would be, as you maybe look at a year and think about potentially tail opportunities on the economy and if we get discretionary really coming back, maybe how

do you think that affects you? And maybe vice versa, if we saw unemployment rise, how do you think Upbound Group fares?

Mitchell Fadel^ Yes.

I think it's the resilience in the durability of the model when -- if we get more at one end of the spectrum, maybe if the economy improves, the -- you can start adding back some of the -- what Fahmi just referred to from an underwriting standpoint, the bottom, you can add some more back to the bottom, plus you get longer retention, especially on the Rent-A-Center side when people have more money, so it helps the portfolio.

So you can drive there eventually, maybe you lose some of the trade down on the other end, but that's the resiliency how it just goes back and forth like a swing a little bit and you end up strong in any economic environment.

But I would say that as things like demand for household furnishings come back that overall, I see that is very positive for Rent-A-Center and for Acima whereas people start moving again, interest rates come down and people start moving again. People buying starter homes usually [selling a lot], especially that starter home category.

And of course, those are the ones most affected by these mortgage rates.

So as people -- it's not just home depot and loans that will start benefiting from people moving around again.

It's also our industry with the household furnishings and even appliances.

So I think there's -- I think there's just plenty of tailwinds to think about and very few on the headwind side because, again, even when things get a whole lot better, we still perform just -- not just us, but the industry will still perform because of the reasons I've already said. And if it gets a lot worse, -- to your point about it, unemployment could skyrocket again, we certainly venture those cycles, and we've done fine because you get even more trade down.

So obviously we're pretty optimistic.

Operator^ The next question comes from Derek Sommers with Jefferies.

Derek Sommers^ What's the typical GMV ramp time when you are on board with the new retail partner?

Mitchell Fadel^ The ramp time -- it supposedly depends on the industry a little bit and how big they are. The bigger they are, it ramps up a little slower because they might put it in a few stores to start and make sure everything is working and so forth.

If you've got a 2-store chain, there may be very little ramp up.

I mean very little time. By the second month, you might be at your run rate.

So I think it candidly depends, but it doesn't take a long time. Let me just say that.

It's a couple of months, even on the big ones, it's still only a couple of months to ramp up.

In staffed versus unstaffed -- the staffed stores will ramp up faster than the unstaffed --

Derek Sommers^ And then just one quick one on the RAC store count. How should we think about store count moving forward? Was most of that kind of consolidation exercise concentrated in this quarter? And how do you think about same-store sales trends moving forward?

Mitchell Fadel^ Yes, good question. Yes. I think it was concentrated in that quarter.

We don't see a lot more this year. Of course, we're always looking to optimize. We've opened stores, too. And so it all depends on the market.

But no, we don't see that from an ongoing standpoint. We had -- through the pandemic and with a seamless money, we didn't have any underperforming store.

So as we looked at here three years away from that, that in the majority of what we've closed, it's only 2% or 3% of our stores, but the majority were underperforming.

I also want to point out that -- the majority of those stores, almost all of them were less than three miles from another Rent-A-Center, like 90% of them were less than three miles from another Rent-A-Center and they are underperforming.

So we're able to still serve those customers.

We run reports that the apps team, Anthony, and his team look at every week where we take the customers out of those closed stores. When we put them in the next closest store, we run the reports to see what our retention level is for those customers as we put them in different stores and the report is just looking at it the other day, the weekly report where - - the stores in there for right now because it goes back two years. The stores on the report right now that we've closed average 7 months of closure, and we're over 80% retention of those customers.

So it's pretty high retention when you get rid of -- get rid of the overhead of a store and keep that level of customers even seven months later on average.

So -- but the short answer to your question is going forward, we don't see a lot more of that.

We're in positive territory same-store sales. We see that continuing through the rest of the year. We don't see anything bringing that back down to negative territory.

So we continue to expect that will be low single digits.

It's not -- we're not going to start putting Acima numbers on the board at Rent-A-Center.

But I think it's still a low single-digit same-store sales growth as we move forward.

Operator^ (Operator Instructions) The next question comes from John Rowan with Janney Montgomery Scott.

John Rowan^ So obviously you can see the trade down pretty clearly in the Acima business with the applications coming down from a waterfall.

But are you seeing the same type of trade-down benefit in the core RAC business that you're seeing from whatever it might be, people tightening up above you because of impending or recently enacted credit card regulations?

Mitchell Fadel^ Yes. Good question, John.

It's certainly not as direct at Rent-A-Center, right? You don't really see it.

It takes a little longer because the customer is not in a waterfall at a retailer or online, where they got denied and then their next option would be a lease.

So it takes longer.

I'd say positive same-store sales will tell us we're seeing a little. Certainly the vantage scores don't have the increase like we're seeing at Acima, things like that.

But I think that we're seeing a little bit. It's just a lot slower happening.

And it probably picks up over -- we don't have it in our forecast that a lot of trade down would pick up on the Rent-A-Center side going forward, but it probably picks up.

It just takes a little longer because it's not that direct sale like at a retail partner the way Acima does it.

But I mentioned it earlier, too, John, I think there's some opportunities. There are some store closures out there where Rent-A-Center -- and they're in our neighborhoods.

Some of the ones the two larger chains nationwide that announced closures in the last couple of weeks, we're in the same neighborhood.

So we see that only as an opportunity. And thankfully, on the Acima side, we don't do business with one of those 2.

So it's nothing positive to us.

John Rowan^ And I'm going to ask one question on the CFPB, broad question, if you can answer it, I won't hold it against you.

But I'm just trying to understand the main tenant of your lawsuit against them, I'm assuming, it's an assumption that it's based on the legal definition of a lease in Dodd-Frank and whether or not the CFPB actually has jurisdiction over it.

Is that correct?

Mitchell Fadel^ Well as I said in my prepared comments, and we think there -- we see them trying to do is expand our authority and you serve the state regulatory framework that governs our industry, and that's really the gist of it.

Operator^ (Operator Instructions) The next question comes from the line of Carla Casella from JPMorgan.

Carla Casella^ You talked about the store closures, and it sounds like you're getting good transfer retention to your other stores.

Have you given the number of how many more you see opportunities to close? And if there's any specific kind of regions where they're concentrated?

Mitchell Fadel^ No. Carla, we haven't -- we don't really see any more this year.

Now would there be one or two sprinkled in, of course.

I mean we lose leases and markets change and so forth. And we opened a few stores here and there as we see the opportunity as well.

So no, we haven't given that number, but as I mentioned, we don't see any more on the near horizon anyhow.

That was like a -- we did a review of just about every store in the system or certainly every underperforming store in the system. And also to answer your question is, no, it wasn't regional.

It was where we had an underperforming store and another store within three miles -- less than three miles at the vast majority.

So -- but now there wasn't any one region of the country or anything like that.

Carla Casella^ And then you talked about deleveraging from both EBITDA or cash flow as well as paying down debt.

It looks like you're -- really the only debt payable right now is the ABL.

Can you just talk about -- are you thinking about something more broadly than that? Or maybe ABL eventually addressed them on the term loan as you -- with your free cash flow?

Fahmi Karam^ Yes. Carlo, it's Fahmi. Yes. We have about \$80 million outstanding on the ABL.

But I think the deleveraging comment would be more -- it's going to be a combination of paying down the ABL.

We can also prepay the term loan depending on where our cash flow is, but it will be a combination of EBITDA growth as well as actually paying down some of that gross debt.

Cash flows, obviously this year have been -- the free cash flow number has been wide compared to year-over-year as we fund the GMV growth at Acima and fund some of the technology advancements that Mitch mentioned.

But we do see that as some of the growth changes throughout the rest of the year as we comp over some of the bigger numbers year-over-year, we do expect free cash flow to increase in the second half of the year, and we guided for the third quarter of \$60 million to \$75 million. And part of that will go down to paying down debt.

Operator^ I am showing no further questions at this time.

I would now like to turn it back to our Chief Executive Officer, Mitch Fadel, for closing remarks.

Mitchell Fadel^ Thank you, [Elizabeth]. And thank you to everyone who joined us today for an update on our second quarter and our outlook for the rest of the year.

I'm really thankful for the collective efforts of my teammates and our merchants who helped deliver such strong GMV and the same-store sales results for the quarter, and we're grateful for your interest and your support.

And we look forward to updating you next quarter on our continued progress towards the goals we've outlined.

So have a great day, everybody. Thank you.

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