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CORPORATE PARTICIPANTS

Aaron Allred

Daniel B. O'Rourke *Rent-A-Center, Inc. - SVP of Finance*

Jason Jude Hogg *Rent-A-Center, Inc. - EVP of Preferred Lease*

Maureen B. Short *Rent-A-Center, Inc. - Executive VP & CFO*

Mitchell E. Fadel *Rent-A-Center, Inc. - CEO & Director*

CONFERENCE CALL PARTICIPANTS

Anthony Chinonye Chukumba *Loop Capital Markets LLC, Research Division - MD*

Bradley Bingham Thomas *KeyBanc Capital Markets Inc., Research Division - Director and Equity Research Analyst*

Kyle M. Joseph *Jefferies LLC, Research Division - Equity Analyst*

Robert Kenneth Griffin *Raymond James & Associates, Inc., Research Division - Senior Research Associate*

Timothy Edgar Vierengel *Northcoast Research Partners, LLC - MD & Senior Research Analyst*

Vincent Albert Caintic *Stephens Inc., Research Division - MD & Senior Specialty Finance Analyst*

PRESENTATION

Operator

Good morning, and thank you for holding. Welcome to Rent-A-Center's Investors' call regarding the definitive agreement to acquire Acima. As a reminder, this conference call is being recorded Monday, December '21, 2020. Your speakers for today are Mr. Mitch Fadel, Chief Executive Officer of Rent-A-Center; Maureen Short, Chief Financial Officer; Jason Hogg, Executive Vice President, Preferred Lease; Daniel O'Rourke, Senior Vice President of Finance and Real Estate; and Aaron Allred, Founder and Chairman, Acima.

I would now like to turn the conference over to Mr. O'Rourke. Please go ahead, sir.

Daniel B. O'Rourke - *Rent-A-Center, Inc. - SVP of Finance*

Good morning, everyone, and thank you for joining us. We've issued a press release and presentation outlining the proposed acquisition of Acima ahead of today's call. All related materials, including a link to the live webcast are available on our website at investor.rentacenter.com.

As a reminder, some of the statements provided on this call are forward-looking statements, which are subject to many factors that could cause actual results to differ materially from our expectations. These factors are described in our release issued yesterday as well as in the company's SEC filings. Rent-a-Center 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 our release and related investor slides, which can be found on our website, for additional information regarding these non-GAAP financial measures.

I'd now like to turn the call over to Mitch.

Mitchell E. Fadel - *Rent-A-Center, Inc. - CEO & Director*

Thank you, Daniel, and good morning, everyone. Thank you for joining us. We will be providing a voiceover to the presentation shown on the webcast that can be found on our website at investor.rentacenter.com.

As you can tell, we're taking a major step in the transformation of our business with the agreement to acquire Acima. We've known the company, we've known the founder, Aaron Allred, and his team for quite a while, and we're thrilled to welcome them to the Rent-A-Center family.

As you can see on Slide 3, Acima has built an exceptional and growing business, with about $1.25 billion in projected revenue for 2020 and high teens EBITDA margin. We plan to continue operating Acima out of Salt Lake City. This will incorporate our recently announced Preferred Dynamix proprietary platform and create a frictionless lease-to-own experience for consumers and retail partners. Rent-A-Center and Acima have a common vision to expand the virtual lease-to-own offering with more products and enhanced omnichannel solutions for consumers and retail partners. And we believe this combination will truly be transformational. From a financial standpoint, we expect the deal to be immediately accretive to adjusted EPS upon closing.

Now looking forward, we expect Acima to drive double-digit accretion to adjusted earnings per share in year 1, with potential for more accretion in year 2. And over the long term, the transaction significantly improves our outlook for revenue, profitability and cash flow generation.

From a strategic standpoint, we believe the combination positions Rent-A-Center as a premier platform across both traditional and virtual lease-to-own channels. It adds a diversified partner base, additional product verticals and enhances our ability to compete for high-value national retail accounts. We'll benefit from high-performance decisioning, expanded digital payment solutions and a superior back end infrastructure. We're adding key leadership with a best-in-class sales team and a winning culture.

We're advancing our e-commerce capabilities with effective integration for digital transactions, whether that's pure-play or omni-channel. The acquisition also has strong potential to drive synergies in both the Rent-A-Center and Preferred Lease segments, and we'll share best practices across these combined businesses.

In short, it moves us years ahead in our goal to establish a leading digital lease-to-own platform. As you can see from slide four, we're purchasing Acima for $1.65 billion, which equates to 7.3x Acima's projected adjusted EBITDA for 2020. There's also a tax step-up that provides approximately $200 million in estimated net present value.

We're funding the purchase with cash and stock. A portion of that will come via a new asset based loan, a new term loan as well as secured and unsecured bonds. At closing, we expect our net debt to be about 2.5x total company adjusted EBITDA.

You'll recall we ended the third quarter of 2020 with 0 net debt. And we're focused on using cash generated from operations to reduce leverage to below 2x within 18 months of closing. We expect to close the transaction in the first half of 2021, subject to customary closing conditions and regulatory approvals.

So turning to Slide 5. Acima is a fast-growing profitable fintech company, with a national presence in over 15,000 active locations and a broad range of product verticals. The company was founded in 2013 and has grown revenue at an 89% compound annual growth rate since 2016, based on this year's estimate. Adjusted EBITDA has grown even faster, driven by scale and strong portfolio performance. The model has many similarities to Rent-A-Center's virtual offering with flexible lease payment schedules, a 90-day purchase option and no credit needed approvals. Invoice volume growth has been driven by a combination of new locations and increased productivity per location. Acima has a diverse partner base with less than 15% of its volume from its top accounts.

From a geographic perspective, the partner base is pretty evenly spread across the U.S. It has a very effective interface for e-com, which has grown in the last year from 1% of invoices written to about 15% currently. Acima has also been onboarding large regional and national merchants in 2020, and that's driving both customer retention and productivity. Invoice volume is benefiting from new verticals, including mobile and jewelry.

Once complete, the combination will enable more customers to access lease-to-own where they want to shop and how they want to shop. For example, Acima produces a considerable amount of lease volume in verticals that are tangential to our current offering. This includes Tire & Wheel and jewelry, mobile electronics and eyewear. These are high producers for Acima and support our long-term strategy to add new brands and product categories. We'll also have the most flexible product offering for partners with Acima's technology supporting both a pure virtual model, and our manned offering where appropriate. We believe that combination of partner flexibility is unmatched in the sector.

Acima's underwriting will also enable us to approve more customers with the potential for higher approval amounts as we expand consumer access to more retail partners and more products. As you can probably tell, we could not be more excited about our future.

Having said all that, I'm going to now turn it over to Jason to talk more about Acima's capabilities, and how we see it accelerating our virtual strategy.

Jason Jude Hogg - *Rent-A-Center, Inc. - EVP of Preferred Lease*

Thanks, Mitch. I've been involved in fintech for years. And 2 of the things that make Acima unique are its advanced technology platform and risk decisioning capabilities. As you can see on Slide 6, Acima will accelerate our goals to improve the customer interface, reduce friction and support better functionality for retail partners. Its leases can already be executed in store, online or via mobile device, and lease approvals are delivered in seconds.

Acima also has a deep trove of data across multiple verticals, and the operations team for origination, servicing and collections is second to none. That's reflected not only in invoice volume, but in Acima's lease portfolio performance and high Net Promoter Score relative to other competitive channels. 15% of Acima's revenue comes from repeat customers, which is a testament to their value proposition and complements our customer centric approach.

Turning to Slide 7, as Mitch has stressed, we are excited about our digital strategy.

Early on, we established a foundational platform for a staffed virtual model. Over the last 2 years, the teams learned, grew and added significant talent to accelerate our digital offerings, with a recent transition to the Preferred Dynamix structure. Acima provides a major catalyst with sophisticated underwriting and a superior back-end infrastructure that's delivering excellent portfolio performance. At the same time, Acima adds world-class payment solutions that allow seamless and rapid lease-to-own execution across both mobile and web.

As you can see on Slide 8, the combination positions us to capitalize on the untapped market opportunity for virtual. In the past, we've spoken to an addressable market for virtual lease-to-own in the U.S. of over $25 billion. We're updating that to $40 billion to $50 billion today, as we believe our strategy to support a marketplace for consumer brands across stores and e-commerce increases the opportunity. Our projection may still prove conservative.

One thing is clear, the Acima purchase will sharply accelerate our path.

We'll be better equipped to compete for high-value national accounts, we'll be better positioned to support new verticals that are important to our customers, we're significantly diversifying the partner base and believe a broader range of retail partner locations will improve revenue cyclicality. We're accelerating e-commerce functionality, which in turn opens the door to new partnerships with fintech companies.

Turning to Slide 9, Acima will also support the broad set of initiatives we're working on to expand the partner base, broaden the age demographic and introduce more lease-to-own options for customers, the effect being greater access for our customers and a seamless shopping experience. It's a great combination that will marry Acima's decisioning with Preferred Dynamix' digital platform. I want to underscore that Acima's technology is the best in the industry. Its lease origination process is superior to what's currently available in terms of decisioning and ease of use. And its back office process supports a better customer experience.

In the intermediate term, we're focused on greatly expanding our customer base and deploying a series of e-commerce capabilities for retailers, which we believe will allow rapid acceptance of our lease-to-own services and increase customers' repeat utilization. As we've outlined, Acima's front-end customer and merchant technology are superior in today's marketplace, and we believe there are significant opportunities with e-commerce and the marketplace strategy to continue to advance the platform. Ultimately, we see our digital strategy as a platform where our customers can move fluidly between in-store, mobile and online transactions through a seamless interface to a curated network that expands choices for lease-to-own customers and creates new opportunities for our partners.

This combination is a major leap in that direction. I'm going to stop there and turn it over to Maureen to discuss the financial picture.

Maureen B. Short - *Rent-A-Center, Inc. - Executive VP & CFO*

Thanks, Jason. Turning to Slide 10, the purchase of Acima propels Preferred Lease beyond its 2022 revenue target of $1.2 billion, and our longer-term adjusted EBITDA margin target of 13% to 15% for the segment. Although we are not updating our 2020 guidance today, using the midpoint of our guidance, and based on 2020 estimates for Acima, the combination would take our Preferred Lease business to over $2 billion in annualized revenues, with an industry-leading 14% adjusted EBITDA margin. 2020 pro forma revenue and adjusted EBITDA growth for the combined segment are both approximately 30% through 2020.

The transaction also gives us a strong national footprint, with over 18,000 locations. The Acima acquisition accelerates revenue growth, and improves adjusted EBITDA margin, driven by strong lease performance and scalability. The combined Acima and Preferred Dynamix business will be reported in our financials under the Preferred Lease segment. As you can see on Slide 11, the purchase will materially augment both our growth and margin profile for the consolidated business going forward, with over $4 billion in projected revenue for 2020, and a 13% adjusted EBITDA margin. That equates to $225 million in added annualized EBITDA for 2020.

Moving to Slide 12, our capital allocation priorities post-close will be to invest in working capital to fuel organic growth of the largely untapped virtual lease-to-own business. Both through strong EBITDA growth and debt paydown, we plan to reduce net leverage to less than 2x within 18 months of closing. Our longer-term goal will be a leverage target of approximately 1.5x, while maintaining robust liquidity. We also plan to continue to provide attractive total shareholder returns through dividends and opportunistic share buyback.

On Slide 13, we lay out our near-term guidance plan regarding the acquisition. We plan to provide 2021 guidance for Rent-A-Center when Q4 2020 financials are reported early next year. A pro forma combined company forecast will be provided at the time of close or shortly thereafter.

Both the Rent-A-Center and Acima teams are excited about this truly transformational acquisition and look forward to updating you in the coming months. I'd now like to turn the call over for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question today comes from Vincent Caintic from Stephens.

Vincent Albert Caintic - *Stephens Inc., Research Division - MD & Senior Specialty Finance Analyst*

Congratulations to both your teams on getting this announced before the year-end. First question. If you can maybe delve into the technology that Acima brings in greater detail, particularly the point-of-sale in mobile, pretty impressive that the e-comm is 15%. And if you can talk about how you're able to roll out e-comm, and what that means for the offering [you have]?

Mitchell E. Fadel - *Rent-A-Center, Inc. - CEO & Director*

Vincent, this is Mitch. We have, as the operator said, we have Aaron Allred, the founder of Acima, on the line from Salt Lake. We're all here in Plano but Aaron's with us from Salt Lake. And I think that's a great question for Aaron to start with. And then if Jay wants to add to it, he certainly can. I'm probably the least equipped to talk about how great their technology is, with my technology background. But anyhow, Aaron, do you want to take that question?

Aaron Allred

Sure. So I guess that at the point of sale, we feel like we've got 2 great options for the consumer. They can apply through their mobile device at the merchant's showroom or they could apply online there with the merchant. So we really think that the tech comes down to, what is the user experience? How fast and easy is it for the merchant? How fast and easy is it for the customer to complete that transaction at the point of sale at checkout?

And so we've seen huge success growing our merchant base because of the ease of use of our technology. Merchants love it, customers love it, and the process is, like I say, fast and easy. As far as our e-commerce platform, as we've discussed, we've seen rapid growth with e-comm this year. I think in the last -- I think it's about 8 months, our e-com volume is up from 1% to 15%. I think that speaks to the -- again, the ease of use and the customer experience through the e-comm platform. So I think that -- I guess those are my answers to the question. Mitch, is like -- is there anything I didn't cover?

Mitchell E. Fadel - *Rent-A-Center, Inc. - CEO & Director*

Aaron, I would just chime in. A couple of things. One is we thought that as I mentioned a minute ago, this is truly best-in-class from a platform perspective. And the architecture that it's built in is going to enable us to very easily layer in the additional technologies that we're developing, our proprietary technology for both mobile marketplace and in-store, and that's only going to help make it an even better system and it'd be a better, low friction experience for the customers. And one of the things that we're seeing is that, as we've announced, we're in a pilot program with 7 national retailers with our mobile technologies and have the ability to integrate in our ability to do an application in less than 30 seconds by only putting in the last 4 digits of your social security number. That, married up to Acima's decision engine capabilities, which are by far the best in the industry, is going to give us a significant advantage.

Aaron Allred

Yes. I think it's fair to say the Acima tech platform has been architectured in a way that allows for quick scale. You can see with Acima's growth for the last 5 or 6 years, we've grown so quickly that we had to have a [tech's app] platform that would allow for fast and easy integrations for additional developments. And so we feel like that platform has been architected in a way that provides for that.

Vincent Albert Caintic - *Stephens Inc., Research Division - MD & Senior Specialty Finance Analyst*

Okay. That's very helpful. Next question, just to talk about the margins on the Acima business. So 18% EBITDA margins is really impressive, I think the best among all the peers that we're able to see. I'm wondering what has driven such strong margins? And then when you think about the combined business with Rent-A-Center and Preferred Dynamix, is that -- when you think about the ongoing 14% margins, is that because of the investments? Or is there maybe like, once you're fully mature, there's opportunities for margin expansion?

Aaron Allred

Yes. I think the margins -- or I'm sorry, Mitch, did you want me to take that?

Mitchell E. Fadel - *Rent-A-Center, Inc. - CEO & Director*

Sure, go ahead Aaron.

Aaron Allred

I think the margins in the virtual lease-to-own business are driven by underwriting and efficiency in operations, right? But your operations piece only makes up a small amount of that. The margins are made upfront in the underwriting. And we feel like we've got an incredible decision engine. We feel like we're great underwriters, and we feel like that is evidenced by our EBITDA margin. But again, EBITDA, in this business, is driven by underwriting, and only to a lesser extent operational efficiencies.

Maureen B. Short - *Rent-A-Center, Inc. - Executive VP & CFO*

And just to add to that -- this is Maureen -- the 14% that you mentioned, Vincent, is the combined pro forma 2020 margin. Given the differential between the preferred lease EBITDA margin and Acima, we're obviously going to try to leverage the system that Acima has built and drive our EBITDA margins up.

And if you look at the 2019 margin within the Acima business, even pre-COVID, they were at 16%. And so that allows us, with using their platform, to get to higher EBITDA margins, and we'll certainly be identifying synergies and opportunities to get our margins up higher than that combined 14% looking at just the 2020 pro forma financials.

Operator

Your next question comes from Bobby Griffin from Raymond James.

Robert Kenneth Griffin - *Raymond James & Associates, Inc., Research Division - Senior Research Associate*

I guess, first, I wanted to ask, Jason, could you maybe go back to your prepared comments, you mentioned how the combination positions the business better to attack large retail accounts or potential new accounts? Can you maybe expand upon that a little bit and then talk about the integration phase of integrating Acima in the current virtual offering?

And is there a 6-month or 12-month integration phase before you can go after these new large accounts? Or are you able to kind of do that day 1 post-close?

Jason Jude Hogg - *Rent-A-Center, Inc. - EVP of Preferred Lease*

Thanks for the question. I'll take it in reverse order, which is that we will be able to get after it post-close because we've already got the system up and running, and Aaron is already operating at scale. And so we'll be able to merge our business development pipeline and our strategic partnership pipeline with the capabilities that Acima and this combination brings. So we look at that as actually accelerating our ability to move into those national accounts. So that's on that side.

When you talk about the technology and the ability to do it, there's a few things that are out there. The first is that we're going to be able to operate at scale, much better than we are now, and there's a few components to that. Specific to the national accounts, we've been talking about the advanced risk decisioning capabilities that are deployed at Acima, and we'll be able to leverage that. Also, Aaron's discussion with regard to the technology from a mobile and an e-commerce perspective and the architecture that's there, I can't underscore enough what a difference that makes in our ability to work in a more seamless fashion with strategic partners, and to stand those partnerships up much faster.

And then from a balance sheet perspective, Maureen can chime in, but that also -- the combined balance sheet gives us much more strength from that perspective.

Aaron Allred

Well, and I'd add to that, Jay -- I'd add to the fact that the capabilities that Jay was talking about, helping us get national accounts. Keep in mind, Bobby, we're talking about a company, from a virtual standpoint, that's bigger than we are from a virtual standpoint, right, in Acima. So think of it as combined pipelines, too. We're not talking about 1 pipeline with more capabilities because of Acima. It's 2 pipelines, plus the combined capabilities. So it's not like Acima doesn't have a robust pipeline for national accounts either.

Robert Kenneth Griffin - *Raymond James & Associates, Inc., Research Division - Senior Research Associate*

Okay. That's very helpful, I appreciate it. And then secondly for me, and this might be better-suited for Aaron, but just looking at the invoice volume growth of Acima in 2020, 29%, very impressive, can you maybe help us unpack that a little bit between what was the primary driver of door growth or increase in ticket this year?

And then how do you think the pandemic and the stimulus payments and stuff impacted Acima's business? We have a little bit of idea from our side of the street on how it might have impacted Rent-A-Center's existing business and things like that.

Aaron Allred

Sure. I think that our -- the invoice growth that you see at Acima over the last 3, 4 years has been somewhat consistent in terms of volume growth year-over-year. We really think that's driven in a large part by our awesome sales team. As we've aged or as we've grown, we've expanded the sales team. So a few years ago, maybe there were 20 sales reps, and then there were 40. And so as we continue to grow our sales team out in the field, lease volume follows. And so invoice volume sort of tracks the size of our sales team, and we expect to continue to expand that sales team and hope to see additional invoice growth in the future.

As far as how did COVID affect us. I think that we saw the same effects from COVID that other lease-to-owns saw. Our volume dropped in March and April. By May, it came back to pre-COVID levels. And it's continued at pre-COVID levels and generally tracked what we expected it to do this year in terms of forecast. And like the others, our delinquencies have been down as a result of the stimulus. And we built -- and lease performance has increased during the stimulus. So I think that's kind of a recap on how we've been with Covid this year.

Robert Kenneth Griffin - *Raymond James & Associates, Inc., Research Division - Senior Research Associate*

Very helpful. I appreciate all the details, and congrats on getting this deal announced. Thank you.

Operator

Your next question comes from Kyle Joseph from Jefferies.

Kyle M. Joseph - *Jefferies LLC, Research Division - Equity Analyst*

Let me echo the sentiment. Congratulations on a very exciting announcement, and happy holidays to everyone. Most of my questions were answered, but I just had 2 follow-ups. And probably for Aaron first and then maybe I just have a follow-up to Maureen. How is the Acima business funded as an independent organization? And was funding -- were there any sort of growth constraints as a result of funding?

Aaron Allred

Acima was -- we started the business in 2013. And we bootstrapped it, sort of the old-fashioned start-up story, right? We did have 1 equity raise in 2015. We raised $9 million from a private equity partner. But beyond that, we've bootstrapped the business and along with our debt facility, have been able to grow from drawing on our debt facility. Back in, I may get the years mixed up a bit, but in 2015, our debt facility started at $7 million limit, and we've kind of expanded along the way to, I believe, today, our facility is at $150 million.

That said, we haven't drawn on the facility for 2 years. And we really have funded the incredible invoice growth that you see on the presentation, that's been funded from free cash flow from the great lease performance. So we believe that the business is kicking up plenty of cash to continue to grow aggressively as we move into these new strategies with e-comm, and our strategy to pursue more and more national merchants.

Kyle M. Joseph - *Jefferies LLC, Research Division - Equity Analyst*

Got it. And -- oh, sorry, go ahead.

Mitchell E. Fadel - *Rent-A-Center, Inc. - CEO & Director*

Sorry, Kyle. I just wanted to add to that, that obvious great performance of Acima the way Aaron just described it, that they obviously have not been -- had any constraints from a financing standpoint because they've performed so well and self-funded. The one thing this does open up, though, is that -- I don't know if I'd call it constraint or if Aaron would call it a constraint, but becoming part of a public company going after national accounts is a lot different than a private company going after national accounts. So I think if -- there, obviously, wasn't a financial constraint, but it -- I think Aaron would agree if there was any constraint it was private company versus public company. So we kind of checked that one off the box with this transaction as well.

Kyle M. Joseph - *Jefferies LLC, Research Division - Equity Analyst*

Got it. Very helpful. And then one follow-up for me. If you guys could just give us a comment on the valuation for the transaction? It's been a very busy end of the year for the virtual lease-to-own space. So there's been some -- obviously, some other transactions in the space, but give us a sense for how you arrived at the valuation for the transaction?

Mitchell E. Fadel - *Rent-A-Center, Inc. - CEO & Director*

I'm sorry -- if I understood, the valuation for the transaction? Well, of course, there's a lot of puts and takes when you're negotiating something like this. And you look at, not only the past, but forward-looking models that we've done internally and so forth. And this is where we ended up. And we feel like it's a very fair valuation for both sides.

Operator

Your next question comes from Anthony Chukumba from Loop Capital.

Anthony Chinonye Chukumba - *Loop Capital Markets LLC, Research Division - MD*

Let me add my congratulations as well. This is a very interesting transaction. I just have 2 quick questions. First off, do you have any concerns from an antitrust perspective? Because as far as I can tell this, it looks like it's the #2 VLTO player in -- or being acquired by the #3, if my calculations are correct. So I'm just wondering if there's any concerns there? And then the only other question I have, if you can say what are Acima's current largest retail partners?

Mitchell E. Fadel - *Rent-A-Center, Inc. - CEO & Director*

Thanks, Anthony. Yes, on the regulatory issue, as you know, this acquisition is subject to antitrust authority, antitrust trust approval, if you will. And so we're not going to comment, we can't comment on the regulatory process. I will say we're confident that we're well positioned to conclude the process expeditiously, so we're confident in that.

As far as the largest accounts, I guess I'll speak for Aaron, we wouldn't be in a position. We never talk about specific accounts anyhow in these kind of calls, and Aaron would -- Aaron might want to talk about his largest accounts, but obviously, they've grown tremendously, over 15,000 active doors, some really great regional accounts, some national accounts, e-comm accounts and so forth, but we won't get into any specific names.

Operator

Our next question comes from Brad Thomas from KeyBank Capital Markets.

Bradley Bingham Thomas - *KeyBanc Capital Markets Inc., Research Division - Director and Equity Research Analyst*

Congratulations to everyone. A couple of housekeeping questions, if I could. The first is, if you could just talk about Acima, any nuances of how they structure the leases, what's the average length? Do you all go over a year? How frequent is early buyout as a percentage of the mix? How is the customer different, if at all, from that of markets preferred?

Mitchell E. Fadel - *Rent-A-Center, Inc. - CEO & Director*

I'll go there and take that, not a lot of differences in our transactions. And some of those metrics, we don't necessarily want to dive into on this call. But I'll let Aaron talk generally about the transaction.

Aaron Allred

Sure. I think that, generally speaking, our lease is modeled very similar to the other large virtual players in the industry. We do offer 12-, 18- and 24-month lease. That being said, our average lease is less than 13 months. So you'll see the lion's share 98 -- 97 -- let's say, mid-90 percentage of leases are extended lease terms beyond 12 months. So our lease really doesn't differ from other virtual providers and the lease structure that they're offering. It's quite similar.

Bradley Bingham Thomas - *KeyBanc Capital Markets Inc., Research Division - Director and Equity Research Analyst*

That's helpful.

Mitchell E. Fadel - *Rent-A-Center, Inc. - CEO & Director*

The key there, Brad, is what Aaron and Jay were talking about earlier is, you can have similar leases, and it's all about what supports the leases. From a technology standpoint, the decisioning is best-in-class, the best in the industry as far as we're concerned. And we know the industry pretty darn well. But the decisioning, the collections ability, all those kind of things go into how fast, and we talked about -- Jay and Aaron have both talked about the mobile app being seconds, so not minutes. So I think it's -- the lease structure can be the same. But when you think about NPS scores and customer satisfaction and lease performance, there's a -- they're not very similar. They outperform all the way across all those metrics.

Bradley Bingham Thomas - *KeyBanc Capital Markets Inc., Research Division - Director and Equity Research Analyst*

Very helpful. And Mitch, just to follow-up on that point. Can you help us think about integrating Acima? And what do you think the organization looks like once the integration is complete? Do you fold in some of your current direct business into Acima? Or are there parts of Preferred Lease that stay intact and are still valuable to you going forward?

Mitchell E. Fadel - *Rent-A-Center, Inc. - CEO & Director*

Yes. From a virtual standpoint, definitely folded in. As we mentioned, the entire Acima management team will stay in place. We're going to run it out of Salt Lake City as a distinct operation. Management team there will report up to Jason here. We'll fold in the virtual. Of course, we've got a more unique business as part of our business with the staffed model. It will still fold into the same operation, but field management is a little different on the staff side as compared to the virtual side. But generally speaking, we're going to fold in our virtual capabilities into theirs because their performance has just been so much better than anybody else's in the industry.

Jason Jude Hogg - *Rent-A-Center, Inc. - EVP of Preferred Lease*

And we look at this as a complementary and an augmentative type of a fold in. So this is not cost-cutting synergy type of play. This is a growth play. And so as Aaron was talking about, the sales force and the relationship of the sales force to invoice volume. We have a combined sales force approach on this, same thing that Mitch was just referring to with regard to leveraging the systems, but also our staff capabilities and making sure that we're doing both. And when you look at it, having those combinations, both from a sales perspective, and from a field force perspective is critical because as I talked about in the opening comments, the addressable market is tremendous, right? And we're just scratching the surface here. So having that ability to go out into that addressable market and scale is going to be critical in this combination.

Unidentified Company Representative

And Jay, you mentioned synergies. And Brad, the synergies here are really the ability to increase the EBITDA margins on the Preferred Lease side with that advanced risk decisioning being deployed across our business. That's really one of the biggest synergies, not so much, not like Jay said, not expense synergies, like a lot of deals are all around cost. This is all around using what Acima does to raise the EBITDA margins of Preferred Lease up into that category of, as Maureen said, even 16% even before COVID last year. So -- and obviously, 18% this year has a little bit of COVID in it. So -- but we'll take 16 when we use their advanced risk decisioning on Preferred Lease side.

And then if you think about how we use our 2,300 brick-and-mortar stores to help collect and take returns on the Rent-A-Center side, that's a synergy for some of Acima's. Maybe we can get even better lease performance by helping out a little bit with collections on the back end through Rent-A-Center. So tremendous synergistic opportunities without talking a whole lot about costs, and, as Jay said, very complementary.

Maureen B. Short - *Rent-A-Center, Inc. - Executive VP & CFO*

And by the way, none of the synergies were built into the accretion numbers that we quoted. So that will be something that we're working through and would be additive to the accretion numbers that we quoted.

Bradley Bingham Thomas - *KeyBanc Capital Markets Inc., Research Division - Director and Equity Research Analyst*

Wonderful. That's all really helpful. Maybe I can squeeze one last one in here for Aaron, as long as we have him with us. Aaron, I was wondering if you could just address the question of why now for Acima? Why was this the moment for you all to decide to sell?

Aaron Allred

Yes. I think that we've -- I've been talking to Mitch for, I think, a couple of years, and I've always been very interested in, I guess, the formerly A Now merchant footprint. And now with the combination of Preferred Lease, it became that much more interesting. But I think we got to a point in our business life cycle where we wanted to do something big and really become a player in the market. And we feel like teaming up with formerly A Now and now Preferred Lease just transforms our business, and we pick up more and more large national merchants that we're going to be able to increase lease volume in those stores using our great technologies. So the transaction just provided an opportunity that we couldn't find anywhere else, where combining the 2 businesses is -- 1 plus 1 is more than 2. And we're very excited about what their major retailers bring to us as we get started.

Mitchell E. Fadel - *Rent-A-Center, Inc. - CEO & Director*

It doesn't look like there's any other any other questions. So I would just -- I'd like to follow-up on that last comment. This was the right time for Acima and the right combination, like Aaron just said, 1 plus 1 equals more than 2 here. And he's excited. We couldn't be more excited to have Aaron and his team, Rob and Tyler and Nate, and I know people listening to this call don't know those people, but we're excited about Aaron and the team we see below him, like the people I just mentioned, and many, many more. It's a fantastic team. Just a great sales team. I mean, they knock it out of the park, and we couldn't be more excited, and we can't wait to get this thing closed and get off and running. So having said that, thank you very much for your time. And I might as well say something different. I got -- had somebody tell me, are we done? Or is there another question?

Jason Jude Hogg - *Rent-A-Center, Inc. - EVP of Preferred Lease*

There is one more question.

Mitchell E. Fadel - *Rent-A-Center, Inc. - CEO & Director*

There is 1 more question, sorry, I guess I was trying to get back to work too soon. But anyhow, let's -- I think we've got 1 more question from Tim.

Operator

We do. We have Tim Vierengel from Northcoast Research.

Timothy Edgar Vierengel - *Northcoast Research Partners, LLC - MD & Senior Research Analyst*

Thanks. And sorry for hopping in here late. I was just wondering if you guys -- yes, sorry. So I was just wondering if you guys could shed some light on the mix of Acima revenue by product category. I'm just curious if Acima has -- or immediately provides access to a vertical you guys maybe have struggled to penetrate? Or has their success to date mostly been in the traditional lease-to-own categories?

Maureen B. Short - *Rent-A-Center, Inc. - Executive VP & CFO*

Aaron, do you want to take that question?

Aaron Allred

Sure. While the majority of our or I should say, while large portions of our revenue come from traditional verticals such as furniture and appliance, we do have a large portion of our revenue coming from the Wheel & Tire space. But in addition to that, in the last couple, 2 or 3 years, we've moved into new verticals, such as jewelry, mobile, home electronics, and I think the eyewear. These are verticals that I don't believe that Preferred Lease has much of a footprint in. And so we believe that we're expanding their footprint by the volume that we've got in these verticals, right? So we feel like our volume's relatively diverse across a good number of verticals, and it's becoming more and more diverse in the last year as we get more and more heavily into mobile devices, eyewear and jewelry.

Mitchell E. Fadel - *Rent-A-Center, Inc. - CEO & Director*

And I think the only thing I would add, Tim, is that the -- when we keep talking about the decision engine, this is a very good example about the power of that decision engine and how critical it is, because Aaron and the team at Acima have been able to move from vertical to vertical and scale them with excellent EBITDA margins because the model and the decision engine is able to learn quickly and then optimize and then continue to perform well and to scale. And that is something that when we talk about the combination on continuing to look at verticals within the virtual space, it also enables us to move more rapidly and accelerate our e-commerce strategy, as well as our staff model strategy as well. So that's a large part of the secret sauce.

Operator

And that does conclude our question-and-answer session for today's call.

It does conclude the conference call at this point. We would like to thank you all for participating, and you may now disconnect.
