

RENT A CENTER INC DE
Form 10-Q

July 28, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-25370

Rent-A-Center, Inc.

(Exact name of registrant as specified in its charter)

Delaware 45-0491516

(State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification No.)

5501 Headquarters Drive

Plano, Texas 75024

(Address, including zip code of registrant's principal executive offices)

Registrant's telephone number, including area code: 972-801-1100

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES

NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of July 24, 2017:

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Class	Outstanding
Common stock, \$.01 par value per share	53,301,924

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Item 1. Condensed Consolidated Financial Statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three		Six Months Ended June	
	Months Ended June	2016	2017	2016
(In thousands, except per share data)	2017	2016	2017	2016
	Unaudited		Unaudited	
Revenues				
Store				
Rentals and fees	\$575,411	\$645,710	\$1,170,825	\$1,320,005
Merchandise sales	76,773	76,777	198,495	208,484
Installment sales	17,657	17,672	34,414	36,092
Other	2,519	3,280	5,171	7,368
Total store revenues	672,360	743,439	1,408,905	1,571,949
Franchise				
Merchandise sales	3,214	4,023	6,535	8,970
Royalty income and fees	2,061	2,157	4,181	4,352
Total revenues	677,635	749,619	1,419,621	1,585,271
Cost of revenues				
Store				
Cost of rentals and fees	159,276	169,139	321,309	345,380
Cost of merchandise sold	77,055	70,903	186,179	184,789
Cost of installment sales	5,708	5,662	10,892	11,687
Total cost of store revenues	242,039	245,704	518,380	541,856
Franchise cost of merchandise sold	3,063	3,757	6,045	8,313
Total cost of revenues	245,102	249,461	524,425	550,169
Gross profit	432,533	500,158	895,196	1,035,102
Operating expenses				
Store expenses				
Labor	179,447	199,992	371,554	409,379
Other store expenses	177,050	192,856	374,490	404,663
General and administrative expenses	47,097	40,135	86,869	83,196
Depreciation, amortization and impairment of intangibles	18,708	20,776	37,249	40,600
Other charges	11,104	18,849	24,755	21,284
Total operating expenses	433,406	472,608	894,917	959,122
Operating (loss) profit	(873)	27,550	279	75,980
Debt refinancing charges	1,936	—	1,936	—
Interest expense	11,263	11,737	22,893	23,714
Interest income	(159)	(108)	(315)	(205)
(Loss) earnings before income taxes	(13,913)	15,921	(24,235)	52,471
Income tax (benefit) expense	(5,020)	5,975	(8,663)	17,464
Net (loss) earnings	\$(8,893)	\$9,946	\$(15,572)	\$35,007
Basic (loss) earnings per common share	\$(0.17)	\$0.19	\$(0.29)	\$0.66
Diluted (loss) earnings per common share	\$(0.17)	\$0.19	\$(0.29)	\$0.66
Cash dividends declared per common share	\$0.08	\$0.08	\$0.16	\$0.16

See accompanying notes to condensed consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three		Six	
	Months Ended June		Months Ended June	
	30,	30,	30,	30,
	2017	2016	2017	2016
(In thousands)	Unaudited		Unaudited	
Net (loss) earnings	\$ (8,893)	\$ 9,946	\$ (15,572)	\$ 35,007
Other comprehensive (loss) income:				
Foreign currency translation adjustments	1,181	(1,377)	6,736	1,073
Total other comprehensive (loss) income	1,181	(1,377)	6,736	1,073
Comprehensive (loss) income	\$ (7,712)	\$ 8,569	\$ (8,836)	\$ 36,080

See accompanying notes to condensed consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2017	December 31, 2016
(In thousands, except share and par value data)		
	Unaudited	
ASSETS		
Cash and cash equivalents	\$73,831	\$95,396
Receivables, net of allowance for doubtful accounts of \$2,681 and \$3,593 in 2017 and 2016, respectively	64,379	69,785
Prepaid expenses and other assets	56,363	54,989
Rental merchandise, net		
On rent	706,086	795,118
Held for rent	200,223	206,836
Merchandise held for installment sale	3,811	3,629
Property assets, net of accumulated depreciation of \$552,653 and \$522,101 in 2017 and 2016, respectively	311,687	316,428
Goodwill	55,424	55,308
Other intangible assets, net	794	5,252
Total assets	\$1,472,598	\$1,602,741
LIABILITIES		
Accounts payable – trade	\$112,997	\$108,238
Accrued liabilities	322,260	332,196
Deferred income taxes	152,847	173,144
Senior debt, net	97,579	186,747
Senior notes, net	538,118	537,483
Total liabilities	1,223,801	1,337,808
STOCKHOLDERS' EQUITY		
Common stock, \$.01 par value; 250,000,000 shares authorized; 109,671,676 and 109,519,369 shares issued in 2017 and 2016, respectively	1,096	1,095
Additional paid-in capital	828,355	827,107
Retained earnings	776,519	800,640
Treasury stock at cost, 56,369,752 shares in 2017 and 2016	(1,347,677)	(1,347,677)
Accumulated other comprehensive loss	(9,496)	(16,232)
Total stockholders' equity	248,797	264,933
Total liabilities and stockholders' equity	\$1,472,598	\$1,602,741
See accompanying notes to condensed consolidated financial statements.		

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2017 2016 Unaudited	
(In thousands)		
Cash flows from operating activities		
Net (loss) earnings	\$(15,572)	\$35,007
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities		
Depreciation of rental merchandise	318,099	341,186
Bad debt expense	6,395	6,800
Stock-based compensation expense	1,079	4,814
Depreciation of property assets	36,705	38,857
Loss on sale or disposal of property assets	1,167	2,942
Amortization and impairment of intangibles	4,439	1,224
Amortization of financing fees	1,914	1,558
Debt refinancing fees	1,936	—
Deferred income taxes	(20,296)	(20,965)
Changes in operating assets and liabilities, net of effects of acquisitions		
Rental merchandise	(223,387)	(211,536)
Receivables	(990)	(1,881)
Prepaid expenses and other assets	(1,305)	96,008
Accounts payable – trade	4,759	(3,244)
Accrued liabilities	(3,059)	12,407
Net cash provided by operating activities	111,884	303,177
Cash flows from investing activities		
Purchase of property assets	(40,159)	(28,183)
Proceeds from sale of stores	912	2,918
Acquisitions of businesses	(215)	(3,089)
Net cash used in investing activities	(39,462)	(28,354)
Cash flows from financing activities		
Exercise of stock options	170	—
Shares withheld for payment of employee tax withholdings	(218)	(127)
Proceeds from debt	87,580	51,610
Repayments of debt	(174,705)	(284,305)
Dividends paid	(8,539)	(17,034)
Net cash used in financing activities	(95,712)	(249,856)
Effect of exchange rate changes on cash	1,725	2,840
Net (decrease) increase in cash and cash equivalents	(21,565)	27,807
Cash and cash equivalents at beginning of period	95,396	60,363
Cash and cash equivalents at end of period	\$73,831	\$88,170
See accompanying notes to condensed consolidated financial statements.		

RENT-A-CENTER, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Basis of Presentation

The interim condensed consolidated financial statements of Rent-A-Center, Inc. included herein have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to the SEC's rules and regulations, although we believe the disclosures are adequate to make the information presented not misleading. We suggest these financial statements be read in conjunction with the financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2016. In our opinion, the accompanying unaudited interim financial statements contain all adjustments, consisting only of those of a normal recurring nature, necessary to present fairly our results of operations and cash flows for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

These financial statements include the accounts of Rent-A-Center, Inc. and its direct and indirect subsidiaries. All intercompany accounts and transactions have been eliminated. Unless the context indicates otherwise, references to "Rent-A-Center" refer only to Rent-A-Center, Inc., the parent, and references to "we," "us" and "our" refer to the consolidated business operations of Rent-A-Center and any or all of its direct and indirect subsidiaries. We report four operating segments: Core U.S., Acceptance Now, Mexico and Franchising.

Our Core U.S. segment consists of company-owned rent-to-own stores in the United States, Canada and Puerto Rico that lease household durable goods to customers on a rent-to-own basis. We also offer merchandise on an installment sales basis in certain of our stores under the names "Get It Now" and "Home Choice."

Our Acceptance Now segment, which operates in the United States and Puerto Rico, generally offers the rent-to-own transaction to consumers who do not qualify for financing from the traditional retailer through kiosks located within such retailers' locations. Those kiosks can be staffed by an Acceptance Now employee (staffed locations) or employ a virtual solution where customers initiate the rent-to-own transaction online in the retailers' locations using our tablet computer and our virtual solution (direct locations).

Our Mexico segment consists of our company-owned rent-to-own stores in Mexico that lease household durable goods to customers on a rent-to-own basis.

Rent-A-Center Franchising International, Inc., an indirect, wholly owned subsidiary of Rent-A-Center, is a franchisor of rent-to-own stores. Our Franchising segment's primary source of revenue is the sale of rental merchandise to its franchisees, who in turn offer the merchandise to the general public for rent or purchase under a rent-to-own transaction. The balance of our Franchising segment's revenue is generated primarily from royalties based on franchisees' monthly gross revenues.

New Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which clarifies existing accounting literature relating to how and when a company recognizes revenue. Under ASU 2014-09, a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. On July 9, 2015, the FASB approved a one-year deferral of the effective date. In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which amends ASU 2014-09 relating to how and when a company recognizes revenue when another party is involved in providing a good or service to a customer. Under Topic 606, a company will recognize revenue on a gross basis when it provides a good or service to a customer (acts as the principal in a transaction), and on a net basis when it arranges for the good or service to be provided to the customer by another party (acts as an agent in a transaction). ASU 2016-08 provides additional guidance for determining whether a company acts as a principal or agent, depending primarily on whether a company controls goods or services before delivery to the customer. In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which provides additional guidance related to the identification of performance obligations within the contract, and licensing. In May 2016, the FASB issued ASU 2016-12, Revenue

from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, which provides additional guidance related to certain technical areas within ASU 2014-09. In December 2016, the FASB issued ASU 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers, which provides additional guidance related to certain technical areas within ASU 2014-09. The adoption of these additional ASUs must be concurrent with the adoption of ASU 2014-09, which will be required for us beginning January 1, 2018, with early adoption permitted as of the original effective date. These ASUs allow adoption with either retrospective application to each prior period presented, or modified retrospective application with the cumulative effect recognized as of the date of initial application. We are currently in the process of evaluating the potential impact this new pronouncement will have on our financial statements and do not anticipate early adoption. We have not completed our evaluation and therefore cannot conclude whether the pronouncement will have a significant impact on our financial statements at this time. We expect to complete our evaluation by

RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

the end of 2017. We currently anticipate that we will utilize the modified retrospective method of adoption, however, this expectation may change following the completion of our evaluation of the impact of this pronouncement on our financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which replaces existing accounting literature relating to the classification of, and accounting for, leases. Under ASU 2016-02, a company must recognize for all leases (with the exception of leases with terms less than 12 months) a liability representing a lessee's obligation to make lease payments arising from a lease, and a right-of-use asset representing the lessee's right to use, or control the use of, a specified asset for the lease term. Lessor accounting is largely unchanged, with certain improvements to align lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. The adoption of ASU 2016-02 will be required for us beginning January 1, 2019, with early adoption permitted. The ASU must be adopted using a modified retrospective transition, applying the new criteria to all leases existing or entered into after the beginning of the earliest comparative period in the consolidated financial statements. We are currently in the process of determining what impact the adoption of this ASU will have on our financial position, results of operations and cash flows, and we are evaluating the adoption date and transition alternatives.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which includes multiple provisions intended to simplify various aspects of the accounting for share-based payments. Rent-A-Center adopted ASU 2016-09 beginning January 1, 2017. We adopted the recognition of excess tax benefits in the provision for income taxes rather than paid-in-capital, and the classification of excess tax benefits on the statement of cash flows on a prospective basis. We elected to continue to estimate forfeitures expected to occur in our determination of compensation cost recognized each period. Furthermore, we adopted the minimum statutory withholding requirements and classification of employee taxes paid on the statement of cash flows on a modified retrospective and full retrospective basis, respectively. Additional amendments included in the accounting standard update were not applicable to us. Impacts resulting from adoption were immaterial to the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which provides guidance on the treatment of cash receipts and cash payments for certain types of cash transactions, to eliminate diversity in practice in the presentation of the cash flow statement. The adoption of ASU 2016-15 will be required for us on a retrospective basis beginning January 1, 2018, with early adoption permitted. We are currently in the process of determining the adoption date and what impact the adoption of this ASU will have on our presentation of cash flows.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, which simplifies the subsequent measurement of goodwill by eliminating the hypothetical purchase price allocation and instead using the difference between the carrying amount and the fair value of the reporting unit. The adoption of ASU 2017-04 will be required for us on a prospective basis beginning January 1, 2020, with early adoption permitted. We are currently in the process of determining the adoption date and what impact the adoption of this ASU will have on our financial statements.

In May 2017, the FASB issued ASU 2017-09, Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting, which clarifies which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. Under the new guidance, modification accounting is required if the fair value, vesting conditions or classification (equity or liability) of the new award are different from the original award immediately before the original award is modified. The adoption of ASU 2017-09 will be required for us on a prospective basis beginning January 1, 2018, with early adoption permitted. We are currently in the process of determining the adoption date and what impact the adoption of this ASU will have on our financial statements. From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that we adopt as of the specified effective date. Unless otherwise discussed, we believe the impact of any other recently issued standards that are not yet effective are either not applicable to us at this time or will not have a material impact on our consolidated financial statements upon adoption.

Note 2 - Senior Debt

On March 19, 2014, we entered into a Credit Agreement (the "Credit Agreement") among the Company, the several lenders from time to time parties to the Credit Agreement, Bank of America, N.A., BBVA Compass Bank, Wells Fargo Bank, N.A., and SunTrust Bank, as syndication agents, and JPMorgan Chase Bank, N.A., as administrative agent. The Credit Agreement initially provided a \$900.0 million senior credit facility consisting of \$225.0 million in term loans (the "Term Loans") and a \$675.0 million revolving credit facility (the "Revolving Facility"). The Credit Agreement was previously amended on February 1, 2016 (the "First Amendment"), on September 30, 2016 (the "Second Amendment"), and on March 31, 2017 (the "Third Amendment and Waiver"). These amendments are referenced in the Index to Exhibits in this Quarterly Report on Form 10-Q, as exhibits 10.35, 10.39 and 10.43, respectively. On June 6, 2017, we entered into a Fourth Amendment (the "Fourth Amendment"), effective as of June 6, 2017, with JPMorgan Chase Bank, N.A., as administrative agent, the other agents party thereto and the lenders party thereto, to the Credit Agreement.

RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The amounts outstanding under the Term Loans were \$49.7 million and \$191.8 million at June 30, 2017 and December 31, 2016, respectively. The amount outstanding under the Revolving Facility was \$55.0 million at June 30, 2017 and there were no outstanding borrowings under the Revolving Facility at December 31, 2016. Outstanding borrowings for senior debt at June 30, 2017 and December 31, 2016 were reduced by total unamortized issuance costs of \$7.1 million and \$5.1 million, respectively. The Term Loans are scheduled to mature on March 19, 2021, and the Revolving Facility has a scheduled maturity of March 19, 2019.

The Term Loans are payable in consecutive quarterly installments each in an aggregate principal amount of \$562,500, with a final installment equal to the remaining principal balance of the Term Loans due on March 19, 2021. In the event our Consolidated Total Leverage Ratio (as such term is defined in the Credit Agreement) exceeds 2.5:1, we are also required to pay down the Term Loans by a percentage of annual excess cash flow, as defined in the Credit Agreement. Additional payments will be equal to 25% of annual excess cash flows if the Consolidated Total Leverage Ratio is between 2.5:1 and 3.0:1, increasing to 50% of annual excess cash flows if the Consolidated Total Leverage Ratio is greater than 3.0:1. We made a mandatory excess cash flow prepayment in March 2017 with respect to our results for the year ended December 31, 2016, of approximately \$141 million and in March 2016 with respect to our results for the year ended December 31, 2015, of approximately \$27 million. We are further required to pay down the Term Loans with proceeds from certain asset sales or borrowings as defined in the Credit Agreement.

Borrowings under the Revolving Facility bear interest at varying rates equal to either the Eurodollar rate plus 1.50% to 3.00%, or the prime rate plus 0.50% to 2.00% (ABR), at our election (pursuant to the Fourth Amendment discussed below). The margins on the Eurodollar loans and on the ABR loans for borrowings under the Revolving Facility, which were 3.00% and 2.00%, respectively, at June 30, 2017, may fluctuate based upon an increase or decrease in our Consolidated Total Leverage Ratio as defined by a pricing grid included in the Credit Agreement. The margins on the Eurodollar loans and on the ABR loans for Term Loans are 3.00% and 2.00%, respectively, but may also fluctuate in the event the all-in pricing for any subsequent incremental Term Loan exceeds the all-in pricing for prior Term Loans by more than 0.50% per annum. A commitment fee equal to 0.30% to 0.50% of the unused portion of the Revolving Facility is payable quarterly, and fluctuates dependent upon an increase or decrease in our Consolidated Total Leverage Ratio. The commitment fee during the second quarter of 2017 was equal to 0.50% of the unused portion of the Revolving Facility.

Our borrowings under the Credit Agreement are, subject to certain exceptions, secured by a security interest in substantially all of our tangible and intangible assets, including intellectual property, and are also secured by a pledge of the capital stock of our U.S. subsidiaries.

Subject to a number of exceptions, the Credit Agreement contains, without limitation, covenants that generally limit our ability and the ability of our subsidiaries to:

- incur additional debt;
- repurchase capital stock, repurchase 6.625% notes and 4.75% notes and/or pay cash dividends when the Consolidated Total Leverage Ratio is greater than 3.75:1 (subject to an exception for cash dividends in an amount not to exceed \$15 million annually);
- incur liens or other encumbrances;
- merge, consolidate or sell substantially all property or business;
- sell, lease or otherwise transfer assets (other than in the ordinary course of business);
- make investments or acquisitions (unless they meet financial tests and other requirements); or
- enter into an unrelated line of business.

Since the Consolidated Total Leverage Ratio at June 30, 2017 is greater than 3.75:1, we are limited to a maximum of \$15 million in dividend payments for the fiscal year. As of June 30, 2017, we have paid dividends of \$8.5 million and declared additional dividends of \$4.3 million.

The Fourth Amendment removed or modified certain covenants under the Credit Agreement, including:

- the maximum Consolidated Total Leverage Ratio was removed;
- the maximum Consolidated Senior Secured Leverage Ratio was removed;

the minimum Consolidated Fixed Charge Coverage Ratio was reduced from 1.50:1 to 1.10:1 and the definitions of Consolidated Fixed Charges and Consolidated Fixed Charge Coverage Ratio were modified. In addition, the sole consequence of a breach of this covenant shall be that a Minimum Availability Period shall result, which impacts the borrowing capacity under the Loans;

any guarantee obligations of Foreign Subsidiaries may not exceed an aggregate of \$10 million outstanding at any time;

RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

indebtedness, including Capital Lease Obligations, mortgage financings and purchase money obligations that are secured by Liens permitted under the Credit Agreement, may not exceed an aggregate outstanding amount of \$10 million, unless such Indebtedness was outstanding on the effective date of the Fourth Amendment; and

- removed certain Permitted Investments, and modified Permitted Acquisitions, which is now tied to certain performance criteria, including the Borrowing Base.

As a result of the Fourth Amendment, we are no longer required to maintain a certain Consolidated Total Leverage Ratio or Consolidated Senior Secured Leverage Ratio, and we are prohibited from repurchasing our common stock and senior notes for the remaining term of the Credit Agreement. In addition, under the Fourth Amendment, we agreed to provide additional collateral protections to secure the obligations under the Credit Agreement.

The Fourth Amendment reduced the total capacity of the Revolving Facility from \$675 million to \$350 million. The Fourth Amendment also modified the borrowing terms of the revolving loans under the Credit Agreement, which, as amended, establishes that the aggregate outstanding amounts (including after any draw request) not exceed the Borrowing Base. The Borrowing Base is tied to the Company's Eligible Installment Sales Accounts, Inventory and Eligible Rental Contracts, in addition to Reserves and the Term Loan Reserve. We will provide to the Agent information necessary to calculate the Borrowing Base within 30 days of the end of each calendar month, unless the remaining availability of the Revolving Facility is less than 20% of the maximum borrowing capacity of the Revolving Facility or \$60 million, in which case the Company must provide weekly information.

The Credit Agreement as modified by the Fourth Amendment permits us to increase the amount of the Term Loans and/or the Revolving Facility from time to time on up to three occasions, in an aggregate amount of no more than \$100 million. We may request an Incremental Revolving Loan or Incremental Term Loan, provided that at the time of such request, we are not in default, have obtained the consent of the administrative agent and the lenders providing such increase, and after giving effect thereto, (i) the Consolidated Fixed Charge Coverage Ratio on a pro forma basis is no less than 1.10:1, (ii) the Total Revolving Extensions of Credit do not exceed the Borrowing Base, and (iii) if the request occurs during a Minimum Availability Period, the Availability must be more than the Availability Threshold Amount.

The Fourth Amendment permits the Agent, in its sole discretion, to make loans to us that it deems necessary or desires (i) to preserve or protect the Collateral, (ii) to enhance the likelihood of, or maximize the amount of, repayment of the Loans and other Obligations, or (iii) to pay any other amount chargeable to or requirement to be paid by the Company pursuant to the terms of the Credit Agreement. The aggregate amount of such Protective Advances outstanding at any time may not exceed \$35 million.

In connection with the Fourth Amendment, we recorded a write-down of previously unamortized debt issuance costs of approximately \$1.9 million. In addition, we paid arrangement and amendment fees to the Agent and the lenders that provided their consent to the Amendment of approximately \$5.1 million, which were capitalized and will be amortized to interest expense over the remaining term of the agreement.

We also utilize our Revolving Facility for the issuance of letters of credit, as well as to manage normal fluctuations in operational cash flow caused by the timing of cash receipts. In that regard, we may from time to time draw funds under the Revolving Facility for general corporate purposes. Amounts are drawn as needed due to the timing of cash flows and are generally paid down as cash is generated by our operating activities. We believe the cash flow generated from operations, together with amounts available under our Credit Agreement, will be sufficient to fund our operations during the next 12 months. As of June 30, 2017, we have issued letters of credit of \$91.1 million.

The Fourth Amendment is included as an exhibit to our Current Report on Form 8-K dated as of June 6, 2017.

The table below shows the required and actual ratios under the Credit Agreement calculated as of June 30, 2017:

	Required Ratio	Actual Ratio
Consolidated Fixed Charge Coverage Ratio	No less than 1.10:1	0.77:1

The actual Consolidated Fixed Charge Coverage ratio was calculated pursuant to the Credit Agreement by dividing the sum of consolidated EBITDA minus Unfinanced Capital Expenditures minus the excess (to the extent positive) of (i) expenses for income taxes paid in cash minus (ii) cash income tax refunds received) for the 12-month period ending June 30, 2017 (\$36.8 million), by consolidated fixed charges for the 12-month period ending June 30, 2017

(\$48.0 million). For purposes of the calculation, “consolidated fixed charges” is defined as the sum of consolidated interest expense and scheduled principal payments on indebtedness actually made during such period. The actual Consolidated Fixed Charge Coverage Ratio of 0.77:1 as of June 30, 2017 was below the minimum requirement of 1.10:1 as defined in the Fourth Amendment modifications above. As a result of being out of compliance with this covenant, we must maintain \$50.0 million of excess availability on the Revolving Facility.

RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Availability under our Revolving Facility was \$143.4 million at June 30, 2017, net of the \$50 million of excess availability we must maintain on the Revolving Facility.

Events of default under the Credit Agreement include customary events, such as a cross-acceleration provision in the event that we default on other debt. In addition, an event of default under the Credit Agreement would occur if a change of control occurs. This is defined to include the case where a third party becomes the beneficial owner of 35% or more of our voting stock or a majority of Rent-A-Center's Board of Directors are not Continuing Directors (all of the current members of our Board of Directors are Continuing Directors under the Credit Agreement). An event of default would also occur if one or more judgments were entered against us of \$50.0 million or more and such judgments were not satisfied or bonded pending appeal within 30 days after entry.

In addition to the Revolving Facility discussed above, we maintain a \$20 million unsecured, revolving line of credit with INTRUST Bank, N.A. to facilitate cash management. The availability of our INTRUST line of credit is restricted if the borrowing capacity under our Revolving Facility drops below \$10 million. There were no outstanding borrowings against this line of credit at June 30, 2017 or December 31, 2016. The line of credit generally renews on August 21 of each year. Borrowings under the line of credit bear interest at the greater of a variable rate or 2.00%. The table below shows the scheduled maturity dates of our outstanding debt at June 30, 2017 for each of the years ending December 31:

(in thousands)	Term Loan	Revolving Facility	INTRUST Line of Credit	Total
2017	\$1,125	\$—	\$—	—\$1,125
2018	2,250	—	—	2,250
2019	2,250	55,000	—	57,250
2020	2,250	—	—	2,250
2021	41,813	—	—	41,813
Thereafter	—	—	—	—
Total senior debt	\$49,688	\$ 55,000	\$—	—\$104,688

Note 3 - Subsidiary Guarantors – Senior Notes

On November 2, 2010, we issued \$300.0 million in senior unsecured notes due November 2020, bearing interest at 6.625%, pursuant to an indenture dated November 2, 2010, among Rent-A-Center, Inc., its subsidiary guarantors and The Bank of New York Mellon Trust Company, as trustee. A portion of the proceeds of this offering were used to repay approximately \$200.0 million of outstanding term debt under our Prior Credit Agreement. The remaining net proceeds were used to repurchase shares of our common stock. The principal amount of the 6.625% notes outstanding as of June 30, 2017 and December 31, 2016, was \$292.7 million, reduced by \$2.1 million and \$2.5 million of unamortized issuance costs, respectively.

On May 2, 2013, we issued \$250.0 million in senior unsecured notes due May 2021, bearing interest at 4.75%, pursuant to an indenture dated May 2, 2013, among Rent-A-Center, Inc., its subsidiary guarantors and The Bank of New York Mellon Trust Company, as trustee. A portion of the proceeds of this offering were used to repurchase shares of our common stock under a \$200.0 million accelerated stock buyback program. The remaining net proceeds were used to repay outstanding revolving debt under our Prior Credit Agreement. The principal amount of the 4.75% notes outstanding as of June 30, 2017 and December 31, 2016, was \$250.0 million, reduced by \$2.5 million and \$2.8 million of unamortized issuance costs, respectively.

The indentures governing the 6.625% notes and the 4.75% notes are substantially similar. Each indenture contains covenants that limit our ability to:

- incur additional debt;
- sell assets or our subsidiaries;
- grant liens to third parties;
- pay cash dividends or repurchase stock when total leverage is greater than 2.50:1 (subject to an exception for cash dividends in an amount not to exceed \$20 million annually); and

engage in a merger or sell substantially all of our assets.

Events of default under each indenture include customary events, such as a cross-acceleration provision in the event that we default in the payment of other debt due at maturity or upon acceleration for default in an amount exceeding \$50.0 million, as well as in the event a judgment is entered against us in excess of \$50.0 million that is not discharged, bonded or insured.

RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The 6.625% notes may be redeemed on or after November 15, 2015, at our option, in whole or in part, at a premium declining from 103.313%. The 6.625% notes may be redeemed on or after November 15, 2018, at our option, in whole or in part, at par. The 6.625% notes also require that upon the occurrence of a change of control (as defined in the 2010 indenture), the holders of the notes have the right to require us to repurchase the notes at a price equal to 101% of the original aggregate principal amount, together with accrued and unpaid interest, if any, to the date of repurchase. The 4.75% notes may be redeemed on or after May 1, 2016, at our option, in whole or in part, at a premium declining from 103.563%. The 4.75% notes may be redeemed on or after May 1, 2019, at our option, in whole or in part, at par. The 4.75% notes also require that upon the occurrence of a change of control (as defined in the 2013 indenture), the holders of the notes have the right to require us to repurchase the notes at a price equal to 101% of the original aggregate principal amount, together with accrued and unpaid interest, if any, to the date of repurchase.

Any mandatory repurchase of the 6.625% notes and/or the 4.75% notes would trigger an event of default under our Credit Agreement. We are not required to maintain any financial ratios under either of the indentures.

Rent-A-Center and its subsidiary guarantors have fully, jointly and severally, and unconditionally guaranteed the obligations of Rent-A-Center with respect to the 6.625% notes and the 4.75% notes. Rent-A-Center has no independent assets or operations, and each subsidiary guarantor is 100% owned directly or indirectly by Rent-A-Center. The only direct or indirect subsidiaries of Rent-A-Center that are not guarantors are minor subsidiaries. There are no restrictions on the ability of any of the subsidiary guarantors to transfer funds to Rent-A-Center in the form of loans, advances or dividends, except as provided by applicable law.

Note 4 - Fair Value

We follow a three-tier fair value hierarchy, which classifies the inputs used in measuring fair values, in determining the fair value of our non-financial assets and non-financial liabilities, which consist primarily of goodwill. These tiers include: Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. There were no changes in the methods and assumptions used in measuring fair value during the period.

At June 30, 2017, our financial instruments include cash and cash equivalents, receivables, payables, senior debt and senior notes. The carrying amount of cash and cash equivalents, receivables and payables approximates fair value at June 30, 2017 and December 31, 2016, because of the short maturities of these instruments. Our senior debt is variable rate debt that re-prices frequently and entails no significant change in credit risk and, as a result, fair value approximates carrying value.

The fair value of our senior notes is based on Level 1 inputs and was as follows at June 30, 2017 and December 31, 2016:

(in thousands)	June 30, 2017			December 31, 2016		
	Carrying Value	Fair Value	Difference	Carrying Value	Fair Value	Difference
6.625% senior notes	\$292,740	\$274,444	\$(18,296)	\$292,740	\$266,393	\$(26,347)
4.75% senior notes	250,000	226,250	(23,750)	250,000	206,250	(43,750)
Total senior notes	\$542,740	\$500,694	\$(42,046)	\$542,740	\$472,643	\$(70,097)

Note 5 - Other Charges

Acceptance Now Store Closures. During the first six months of 2017, we closed 319 Acceptance Now manned locations and 9 Acceptance Now direct locations, resulting in pre-tax charges of \$13.0 million consisting primarily of rental merchandise losses, disposal of fixed assets, and other miscellaneous labor and shutdown costs. In addition, as a result of the plan to close certain Acceptance Now locations, we recorded a pre-tax impairment charge of \$3.9 million to our intangible assets, related to a vendor relationship.

Corporate Cost Rationalization. During the first quarter of 2017, we executed a head count reduction that impacted approximately 6% of our field support center workforce. This resulted in pre-tax charges for severance and other payroll-related costs of approximately \$2.5 million for the six months ended June 30, 2017.

U.S Core Store and Acceptance Now Consolidation Plan. During the second quarter of 2016, we closed 167 U.S. Core and 96 Acceptance Now locations, resulting in a pre-tax restructuring charge of \$18.8 million for the three months ended June 30, 2016. Restructuring charges consisted of lease obligation costs of \$15.0 million, of which \$1.0 million was paid as of June 30, 2016, disposal of fixed assets of \$2.6 million, and other miscellaneous costs.

RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Mexico Store Consolidation Plan. During the first quarter of 2016, we closed 14 stores in Mexico, resulting in pre-tax restructuring charges of \$2.3 million in the Mexico segment for disposal of rental merchandise, fixed assets and leasehold improvements and other charges to decommission the stores.

Activity with respect to other charges for the six months ended June 30, 2017 is summarized in the below table:

(in thousands)	Accrued Charges at December 31, 2016	Charges & Adjustments	Payments	Accrued Charges at June 30, 2017
Cash charges:				
Labor reduction costs	\$ 1,393	\$ 2,824	\$(2,385)	\$ 1,832
Lease obligation costs	6,628	15	(2,997)	3,646
Other miscellaneous	—	531	(531)	—
Total cash charges	\$ 8,021	3,370	\$(5,913)	\$ 5,478
Non-cash charges:				
Rental merchandise losses		12,174		
Loss on sale of fixed assets		351		
Impairment of intangible asset		3,895		
Other ⁽¹⁾		4,965		
Total other charges		\$ 24,755		

⁽¹⁾ Other primarily includes litigation settlements, and incremental legal and advisory fees related to shareholder proposals.

Note 6 - Segment Information

The operating segments reported below are the segments for which separate financial information is available and for which segment results are evaluated by the chief operating decision makers. Our operating segments are organized based on factors including, but not limited to, type of business transactions, geographic location and store ownership. All operating segments offer merchandise from four basic product categories: consumer electronics, appliances, computers, furniture and accessories. Our Core U.S. and Franchising segments also offer smartphones.

Segment information for the three and six months ended June 30, 2017 and 2016 is as follows:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues				
Core U.S.	\$457,025	\$530,612	\$947,924	\$1,114,977
Acceptance Now	203,321	199,516	437,867	429,912
Mexico	12,014	13,311	23,114	27,060
Franchising	5,275	6,180	10,716	13,322
Total revenues	\$677,635	\$749,619	\$1,419,621	\$1,585,271
Gross profit				
Core U.S.	\$318,006	\$383,129	\$655,960	\$795,018
Acceptance Now	103,934	105,352	218,363	216,494
Mexico	8,381	9,254	16,202	18,581
Franchising	2,212	2,423	4,671	5,009
Total gross profit	\$432,533	\$500,158	\$895,196	\$1,035,102

RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(in thousands)	Three		Six	
	Months Ended June		Months Ended June	
	30,		30,	
	2017	2016	2017	2016
Operating (loss) profit				
Core U.S.	\$30,980	\$38,715	\$55,382	\$100,951
Acceptance Now	18,597	27,547	39,216	56,916
Mexico	(41)	572	120	(2,038)
Franchising	1,092	1,425	2,533	2,838
Total segments	50,628	68,259	97,251	158,667
Corporate	(51,501)	(40,709)	(96,972)	(82,687)
Total operating (loss) profit	\$(873)	\$27,550	\$279	\$75,980

(in thousands)	Three		Six	
	Months Ended June		Months Ended June	
	30,		30,	
	2017	2016	2017	2016
Depreciation, amortization and impairment of intangibles				
Core U.S.	\$7,882	\$10,563	\$15,990	\$21,455
Acceptance Now	629	828	1,415	1,665
Mexico	526	864	1,053	1,803
Franchising	44	44	88	89
Total segments	9,081	12,299	18,546	25,012
Corporate	9,627	8,477	18,703	15,588
Total depreciation, amortization and impairment of intangibles	\$18,708	\$20,776	\$37,249	\$40,600

We recorded an impairment of intangibles of \$3.9 million in the Acceptance Now segment during the first six months of 2017 that is not included in the table above. The impairment charge was recorded to Other Charges in the Condensed Consolidated Statement of Operations.

(in thousands)	Three		Six	
	Months Ended June		Months Ended June	
	30,		30,	
	2017	2016	2017	2016
Capital expenditures				
Core U.S.	\$8,600	\$3,456	\$14,708	\$7,227
Acceptance Now	612	305	1,095	597
Mexico	24	76	47	223
Total segments	9,236	3,837	15,850	8,047
Corporate	8,875	9,906	24,309	20,136
Total capital expenditures	\$18,111	\$13,743	\$40,159	\$28,183

RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Segment information - Selected balance sheet data:

(in thousands)	June 30, 2017	December 31, 2016
On rent rental merchandise, net		
Core U.S.	\$373,907	\$ 426,845
Acceptance Now	318,099	354,486
Mexico	14,080	13,787
Total on rent rental merchandise, net	\$706,086	\$ 795,118
(in thousands)	June 30, 2017	December 31, 2016
Held for rent rental merchandise, net		
Core U.S.	\$181,773	\$ 192,718
Acceptance Now	11,477	7,489
Mexico	6,973	6,629
Total held for rent rental merchandise, net	\$200,223	\$ 206,836
(in thousands)	June 30, 2017	December 31, 2016
Assets by segment		
Core U.S.	\$781,141	\$ 872,551
Acceptance Now	396,092	432,383
Mexico	33,978	31,415
Franchising	2,402	2,197
Total segments	1,213,613	1,338,546
Corporate	258,985	264,195
Total assets	\$1,472,598	\$ 1,602,741

Note 7 - Stock-Based Compensation

We recognized \$1.8 million and \$2.5 million in pre-tax compensation expense related to stock options and restricted stock units during the three months ended June 30, 2017 and 2016, respectively, and \$1.1 million and \$4.8 million during the six months ended June 30, 2017 and 2016, respectively. During the six months ended June 30, 2017, we granted approximately 756,000 stock options, 490,000 market-based performance restricted stock units and 466,000 time-vesting restricted stock units. The stock options granted were valued using a Black-Scholes pricing model with the following assumptions: an expected volatility of 43.75% to 52.52%, a risk-free interest rate of 1.54% to 2.07%, an expected dividend yield of 2.84% to 3.85% and an expected term of 3.5 years to 5.75 years. The weighted-average exercise price of the options granted during the six months ended June 30, 2017 was \$8.97 and the weighted-average grant-date fair value was \$2.73. Performance-based restricted stock units are valued using a Monte Carlo simulation. Time-vesting restricted stock units are valued using the closing price on the trading day immediately preceding the day of the grant. The weighted-average grant date fair value of the restricted stock units granted during the six months ended June 30, 2017 was \$9.00.

Note 8 - Contingencies

From time to time, the Company, along with our subsidiaries, is party to various legal proceedings arising in the ordinary course of business. We reserve for loss contingencies that are both probable and reasonably estimable. We regularly monitor developments related to these legal proceedings, and review the adequacy of our legal reserves on a quarterly basis. We do not expect these losses to have a material impact on our condensed consolidated financial statements if and when such losses are incurred.

We are subject to unclaimed property audits by states in the ordinary course of business. A comprehensive multi-state unclaimed property audit is currently in progress. The property subject to review in this audit process includes unclaimed wages, vendor payments and customer refunds. State escheat laws generally require entities to report and remit abandoned and unclaimed property to the state. Failure to timely report and remit the property can result in

assessments that could include interest and penalties, in addition to the payment of the escheat liability itself. We routinely remit escheat payments to states in compliance with applicable escheat laws. We do not expect the ultimate outcome of the audit or any negotiated settlements to have a material adverse impact to our financial statements. Our subsidiary, ColorTyme Finance, Inc. (“ColorTyme Finance”), is a party to an agreement with Citibank, N.A., pursuant to which Citibank provides up to \$27.0 million in aggregate financing to qualifying franchisees of Franchising. Under the Citibank

RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

agreement, upon an event of default by the franchisee under agreements governing this financing and upon the occurrence of certain other events, Citibank can assign the loans and the collateral securing such loans to ColorTyme Finance, with ColorTyme Finance paying or causing to be paid the outstanding debt to Citibank and then succeeding to the rights of Citibank under the debt agreements, including the right to foreclose on the collateral. Rent-A-Center and ColorTyme Finance guarantee the obligations of the franchise borrowers under the Citibank facility. An additional \$20.0 million of financing is provided by Texas Capital Bank, National Association under an agreement similar to the Citibank financing, which is guaranteed by Rent-A-Center East, Inc., a subsidiary of Rent-A-Center. The maximum guarantee obligations under these agreements, excluding the effects of any amounts that could be recovered under collateralization provisions, are \$47.0 million, of which \$2.1 million was outstanding as of June 30, 2017.

Note 9 - Earnings (Loss) Per Common Share

Summarized basic and diluted earnings per common share were calculated as follows:

(in thousands, except per share data)	Three		Six	
	Months Ended June 30, 2017	2016	Months Ended June 30, 2017	2016
Numerator:				
Net (loss) earnings	\$ (8,893)	\$ 9,946	\$ (15,572)	\$ 35,007
Denominator:				
Weighted-average shares outstanding	53,292	53,092	53,255	53,089
Effect of dilutive stock awards ⁽¹⁾	—	289	—	273
Weighted-average dilutive shares	53,292	53,381	53,255	53,362
Basic (loss) earnings per common share	\$ (0.17)	\$ 0.19	\$ (0.29)	\$ 0.66
Diluted (loss) earnings per common share	\$ (0.17)	\$ 0.19	\$ (0.29)	\$ 0.66
Anti-dilutive securities excluded from diluted (loss) earnings per common share:				
Anti-dilutive restricted share units	1,568	876	1,568	876
Anti-dilutive stock options	3,251	2,652	3,251	2,646

(1) There was no dilutive effect to the loss per common share for the three and six months ended June 30, 2017 due to the net loss incurred for both periods.

RENT-A-CENTER, INC. AND SUBSIDIARIES

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words such as “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “seeks” or words of similar meaning, or future or conditional verbs, such as “will,” “should,” “could,” “may,” “aims,” “intends,” “projects.” A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. These forward-looking statements are all based on currently available operating, financial and competitive information and are subject to various risks and uncertainties. Our actual future results and trends may differ materially depending on a variety of factors, including, but not limited to, the risks and uncertainties discussed under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results. Any or all of the forward-looking statements contained in this Quarterly Report on Form 10-Q and any other public statement made by us, including by our management, may turn out to be incorrect. We are including this cautionary note to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for forward-looking statements. We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, changes in assumptions or otherwise. Factors that could cause or contribute to these differences include, but are not limited to:

- the general strength of the economy and other economic conditions affecting consumer preferences and spending;
- factors affecting the disposable income available to our current and potential customers;
- changes in the unemployment rate;
- difficulties encountered in improving the financial and operational performance of our business segments;
- our chief executive officer and chief financial officer transitions, including our ability to effectively operate and execute our strategies during the interim period and difficulties or delays in identifying and/or attracting a permanent chief financial officer with the required level of experience and expertise;
- failure to manage our store labor and other store expenses;
- our ability to develop and successfully execute strategic initiatives;
- disruptions, including capacity-related outages, caused by the implementation and operation of our new store information management system;
- our transition to more-readily scalable, "cloud-based" solutions;
- our ability to develop and successfully implement digital or E-commerce capabilities;
- disruptions in our supply chain;
- limitations of, or disruptions in, our distribution network;
- rapid inflation or deflation in the prices of our products;
- our ability to execute and the effectiveness of a store consolidation, including our ability to retain the revenue from customer accounts merged into another store location as a result of a store consolidation;
- our available cash flow;
- our ability to identify and successfully market products and services that appeal to our customer demographic;
- consumer preferences and perceptions of our brands;
- uncertainties regarding the ability to open new locations;
- our ability to acquire additional stores or customer accounts on favorable terms;
- our ability to control costs and increase profitability;
- our ability to retain the revenue associated with acquired customer accounts and enhance the performance of acquired stores;
- our ability to enter into new and collect on our rental or lease purchase agreements;

the passage of legislation adversely affecting the Rent-to-Own industry;
our compliance with applicable statutes or regulations governing our transactions;
changes in interest rates;
adverse changes in the economic conditions of the industries, countries or markets that we serve;

RENT-A-CENTER, INC. AND SUBSIDIARIES

information technology and data security costs;
the impact of any breaches in data security or other disturbances to our information technology and other networks and our ability to protect the integrity and security of individually identifiable data of our customers and employees;
changes in our stock price, the number of shares of common stock that we may or may not repurchase, and future dividends, if any;
changes in estimates relating to self-insurance liabilities and income tax and litigation reserves;
changes in our effective tax rate;
fluctuations in foreign currency exchange rates;
our ability to maintain an effective system of internal controls;
the resolution of our litigation; and
the other risks detailed from time to time in our reports to the Securities and Exchange Commission.

Additional important factors that could cause our actual results to differ materially from our expectations are discussed under the section “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2016, and elsewhere in this Quarterly Report on Form 10-Q. You should not unduly rely on these forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by law, we are not obligated to publicly release any revisions to these forward-looking statements to reflect events or circumstances occurring after the date of this Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events.

Our Business

We are one of the largest rent-to-own operators in North America, focused on improving the quality of life for our customers by providing them the opportunity to obtain ownership of high-quality durable products, such as consumer electronics, appliances, computers, (including tablets), smartphones, and furniture (including accessories), under flexible rental purchase agreements with no long-term obligation. We were incorporated in the state of Delaware in 1986.

Our Growth Strategy

We are focused on our mission to provide cash- and credit-constrained consumers with affordable and flexible access to durable goods that promote a higher quality of living. On April 10, 2017, we announced a new and comprehensive strategy to restore growth, improve profitability and maximize value. These initiatives are designed to strengthen the Core U.S. segment; optimize and grow the Acceptance Now segment; and leverage technology investments to expand distribution channels and integrate retail and online offerings:

Strengthen the Core

Enhance value proposition and facilitate ownership

Optimize product mix

Stabilize and upgrade the workforce

Improve account management

Drive efficiencies in-store

Optimize footprint

Optimize and Grow Acceptance Now

Enhance value proposition and facilitate ownership

Optimize partner relationships

Centralize account management

Grow Acceptance Now unstaffed solutions

Enhance decision engine

Embrace Technology and Channel Expansion

Leverage technology investments

Build digital capabilities to support omni-channel platform

Expand Acceptance Now to new channels, customers and products

RENT-A-CENTER, INC. AND SUBSIDIARIES

Recent Developments

Conn's Referral Contract Termination. On March 30, 2017, we decided to not renew our Referral Agreement with Conn's due to the quality and performance of customer accounts originating from Conn's stores, which consistently underperformed compared to the rest of our Acceptance Now segment in terms of delinquencies, losses and product returns. The charges incurred during the first and second quarters of 2017 related to the contract termination are included in other charges for the Acceptance Now segment and discussed in Note 5 to the unaudited condensed consolidated financial statements.

hhgregg Bankruptcy Announcement. On February 23, 2017, hhgregg announced the closure of 88 stores effective March 3, 2017. As a result, the Company's 76 Acceptance Now manned locations and 9 Acceptance Now direct locations, operating in those stores were also closed. Subsequently, on March 6, 2017, hhgregg filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of Indiana. On April 7, 2017, hhgregg initiated a liquidation plan to close their remaining 132 stores, which included 128 Acceptance Now locations. The charges incurred for the closure of these stores in the first and second quarters of 2017 are included in other charges for the Acceptance Now segment and discussed in Note 5 to the unaudited condensed consolidated financial statements.

Executive Management Appointments. On May 5, 2017, Joel Mussat was appointed as Chief Operating Officer. Mr. Mussat brings significant retail strategy, operations and rent-to-own industry expertise. On July 18, 2017, Martin Evans was appointed as Chief Human Resources Officer. Martin brings an outstanding "people" skillset and more than 20 years' experience shaping high-performance cultures at Fortune 500 companies.

Results of Operations

The following discussion focuses on our results of operations and issues related to our liquidity and capital resources. You should read this discussion in conjunction with the condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

Overview

During the first half of 2017, we experienced a decline in revenues, gross profit and operating profit driven primarily by declines in same store revenue, reduction in our store base for the Core U.S. segment and an increase in other charges, offset by overall improvements in revenue and gross profit in the Acceptance Now segment. Other charges were primarily comprised of Acceptance Now store closures, incremental legal and advisory fees, and debt refinancing costs.

The Acceptance Now segment revenues increased by approximately \$8.0 million or 1.9% primarily due to an increase in same store revenue of 4.1%. Gross profit increased by 0.9% primarily due to the increase in revenues, partially offset by lower gross margins on merchandise sales driven by our focused effort to encourage ownership and reduce returned product. Operating profit declined 31.1% primarily due to other charges related to store closures. Excluding these other charges, operating profit decreased by 3.0%.

Revenues in our Core U.S. segment decreased approximately \$167.1 million for the six months ended June 30, 2017, due to a decrease in same store revenue of 11.4% and rationalization of our Core U.S. store base in the prior year. Gross profit as a percentage of revenue decreased 2.1% due to the decrease in store revenue and pricing actions taken to right size the segment's inventory mix and changes from the value proposition. Labor and other store expenses were negatively affected by sales deleverage.

Gross profit for the Mexico segment as a percentage of revenue increased by 1.4% for the six months ended June 30, 2017, driven by higher gross margin merchandise sales due to pricing initiatives. The segment also generated positive operating profit for the six months ended June 30, 2017.

Cash flow from operations was \$111.9 million for the six months ended June 30, 2017. We used our free cash flow to pay down debt by \$87.1 million during the first half of the year, ending the period with \$73.8 million of cash and cash equivalents.

RENT-A-CENTER, INC. AND SUBSIDIARIES

The following table is a reference for the discussion that follows.

(dollar amounts in thousands)	Three Months Ended				Six Months Ended			
	June 30, 2017	June 30, 2016	Change		June 30, 2017	June 30, 2016	Change	
			\$	%			\$	%
Revenues								
Store								
Rentals and fees	\$575,411	\$645,710	\$(70,299)	(10.9)%	\$1,170,825	\$1,320,005	\$(149,180)	(11.3)%
Merchandise sales	76,773	76,777	(4)	—%	198,495	208,484	(9,989)	(4.8)%
Installment sales	17,657	17,672	(15)	(0.1)%	34,414	36,092	(1,678)	(4.6)%
Other	2,519	3,280	(761)	(23.2)%	5,171	7,368	(2,197)	(29.8)%
Total store revenue	672,360	743,439	(71,079)	(9.6)%	1,408,905	1,571,949	(163,044)	(10.4)%
Franchise								
Merchandise sales	3,214	4,023	(809)	(20.1)%	6,535	8,970	(2,435)	(27.1)%
Royalty income and fees	2,061	2,157	(96)	(4.5)%	4,181	4,352	(171)	(3.9)%
Total revenues	677,635	749,619	(71,984)	(9.6)%	1,419,621	1,585,271	(165,650)	(10.4)%
Cost of revenues								
Store								
Cost of rentals and fees	159,276	169,139	(9,863)	(5.8)%	321,309	345,380	(24,071)	(7.0)%
Cost of merchandise sold	77,055	70,903	6,152	8.7%	186,179	184,789	1,390	0.8%
Cost of installment sales	5,708	5,662	46	0.8%	10,892	11,687	(795)	(6.8)%
Total cost of store revenues	242,039	245,704	(3,665)	(1.5)%	518,380	541,856	(23,476)	(4.3)%
Franchise cost of merchandise sold	3,063	3,757	(694)	(18.5)%	6,045	8,313	(2,268)	(27.3)%
Total cost of revenues	245,102	249,461	(4,359)	(1.7)%	524,425	550,169	(25,744)	(4.7)%
Gross profit	432,533	500,158	(67,625)	(13.5)%	895,196	1,035,102	(139,906)	(13.5)%
Operating expenses								
Store expenses								
Labor	179,447	199,992	(20,545)	(10.3)%	371,554	409,379	(37,825)	(9.2)%
Other store expenses	177,050	192,856	(15,806)	(8.2)%	374,490	404,663	(30,173)	(7.5)%
General and administrative expenses	47,097	40,135	6,962	17.3%	86,869	83,196	3,673	4.4%
Depreciation, amortization and impairment of intangibles	18,708	20,776	(2,068)	(10.0)%	37,249	40,600	(3,351)	(8.3)%
Other charges	11,104	18,849	(7,745)	(41.1)%	24,755	21,284	3,471	16.3%
Total operating expenses	433,406	472,608	(39,202)	(8.3)%	894,917	959,122	(64,205)	(6.7)%
Operating (loss) profit	(873)	27,550	(28,423)	(103.2)%	279	75,980	(75,701)	(99.6)%
Debt refinancing charges	1,936	—	1,936	100.0%	1,936	—	1,936	100.0%
Interest, net	11,104	11,629	(525)	(4.5)%	22,578	23,509	(931)	(4.0)%
(Loss) earnings before income taxes	(13,913)	15,921	(29,834)	(187.4)%	(24,235)	52,471	(76,706)	(146.2)%
Income tax (benefit) expense	(5,020)	5,975	(10,995)	(184.0)%	(8,663)	17,464	(26,127)	(149.6)%
Net (loss) earnings	\$(8,893)	\$9,946	\$(18,839)	(189.4)%	\$(15,572)	\$35,007	\$(50,579)	(144.5)%

Three Months Ended June 30, 2017, compared to Three Months Ended June 30, 2016

Store Revenue. Total store revenue decreased by \$71.1 million, or 9.6%, to \$672.4 million for the three months ended June 30, 2017, from \$743.4 million for the three months ended June 30, 2016. This was primarily due to a decrease of approximately \$73.6 million in the Core U.S. segment, as discussed further in the segment performance section below. Same store revenue is reported on a constant currency basis and generally represents revenue earned in 2,561 locations that were operated by us for 13 months or more, excluding any store that receives a certain level of customer accounts from another store

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(acquisition or merger). Receiving stores will be eligible for inclusion in the same store sales base in the twenty-fourth full month following the account transfer. Same store revenues decreased by \$34.5 million, or 7.4%, to \$429.8 million for the three months ended June 30, 2017, as compared to \$464.3 million in 2016. The decrease in same store revenues was primarily attributable to a decline in the Core U.S. segment, as discussed further in the segment performance section below.

Cost of Rentals and Fees. Cost of rentals and fees consists primarily of depreciation of rental merchandise. Cost of rentals and fees for the three months ended June 30, 2017, decreased by \$9.9 million, or 5.8%, to \$159.3 million as compared to \$169.1 million in 2016. This decrease in cost of rentals and fees was primarily attributable to a \$10.8 million decrease in the Core U.S. segment as a result of lower rentals and fees revenue. Cost of rentals and fees expressed as a percentage of rentals and fees revenue increased to 27.7% for the three months ended June 30, 2017 as compared to 26.2% in 2016.

Cost of Merchandise Sold. Cost of merchandise sold increased by \$6.2 million, or 8.7%, to \$77.1 million for the three months ended June 30, 2017, from \$70.9 million in 2016, primarily attributable to an increase of \$2.3 million in the Core U.S. segment and \$3.9 million in the Acceptance Now segment. The gross margin percent of merchandise sales decreased to (0.4)% for the three months ended June 30, 2017, from 7.7% in 2016.

Gross Profit. Gross profit decreased by \$67.6 million, or 13.5%, to \$432.5 million for the three months ended June 30, 2017, from \$500.2 million in 2016, due primarily to a decrease of \$65.1 million in the Core U.S. segment. Gross profit as a percentage of total revenue decreased to 63.8% for the three months ended June 30, 2017, as compared to 66.7% in 2016, primarily as a result of implementing targeted pricing actions and changes from the new value proposition, as discussed further in the segment performance section below.

Store Labor. Store labor decreased by \$20.5 million, or 10.3%, to \$179.4 million, for the three months ended June 30, 2017, as compared to \$200.0 million in 2016, primarily attributable to a decrease of \$19.4 million in the Core U.S. segment as a result of the rationalization of the Core U.S. store base in the prior year and lower insurance expenses. Store labor expressed as a percentage of total store revenue was 26.7% for the three months ended June 30, 2017, as compared to 26.9% in 2016.

Other Store Expenses. Other store expenses decreased by \$15.8 million, or 8.2%, to \$177.1 million for the three months ended June 30, 2017, as compared to \$192.9 million in 2016, primarily attributable to a decrease of \$17.6 million in the Core U.S. segment as a result of the rationalization of the Core U.S. store base in the prior year, partially offset by a \$1.9 million increase in the Acceptance Now segment. Other store expenses expressed as a percentage of total store revenue were 26.3% for the three months ended June 30, 2017, compared to 25.9% in 2016.

General and Administrative Expenses. General and administrative expenses increased by \$7.0 million, or 17.3%, to \$47.1 million for the three months ended June 30, 2017, as compared to \$40.1 million in 2016, driven primarily by incentive compensation accrued at a higher rate than the prior year. General and administrative expenses expressed as a percentage of total revenue were 7.0% for the three months ended June 30, 2017, compared to 5.4% in 2016.

Other Charges. Other charges decreased by \$7.7 million, or 41.1%, to \$11.1 million for the three months ended June 30, 2017, as compared to \$18.8 million in 2016. Other charges for the three months ended June 30, 2017 and 2016 primarily included charges related to the closure of Core U.S. and Acceptance Now locations, reductions in our Mexico field support center, incremental legal and advisory fees, and unclaimed property settlement reserve.

Operating Profit. Operating profit decreased by \$28.4 million, or 103.2%, to a loss of \$(0.9) million for the three months ended June 30, 2017, as compared to income of \$27.6 million in 2016, primarily due to decreases of \$7.7 million and \$9.0 million in the Core U.S. and Acceptance Now segments, respectively, as discussed further in the segment performance sections below. Operating profit expressed as a percentage of total revenue was (0.1)% for the three months ended June 30, 2017, compared to 3.7% in 2016, primarily due to the decrease in Core U.S. revenue and gross profit, as discussed further in the segment performance section below. Excluding other charges, operating profit was \$10.2 million, or 1.5% of revenue for the three months ended June 30, 2017, compared to \$46.4 million, or 6.2% of revenue for the comparable period of 2016.

Income Tax Benefit. Income tax benefit for the three months ended June 30, 2017 was \$5.0 million, as compared to \$6.0 million income tax expense in 2016. The effective tax benefit rate was 36.1% for the three months ended June 30, 2017, compared to an expense of 37.5% in 2016, primarily due to the decrease in operating profit described above.

Six Months Ended June 30, 2017, compared to Six Months Ended June 30, 2016

Store Revenue. Total store revenue decreased by \$163.0 million, or 10.4%, to \$1,408.9 million for the six months ended June 30, 2017, from \$1,571.9 million for the six months ended June 30, 2016. This was primarily due to a decrease of approximately \$167.1 million in the Core U.S. segment, as discussed further in the segment performance section below.

Same store revenue is reported on a constant currency basis and generally represents revenue earned in 3,120 locations that were operated by us for 13 months or more, excluding any store that receives a certain level of customer accounts from another store (acquisition or merger). Receiving stores will be eligible for inclusion in the same store sales base in the twenty-fourth full month

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following the account transfer. Same store revenues decreased by \$77.6 million, or 7.6%, to \$939.9 million for the six months ended June 30, 2017, as compared to \$1,017.6 million in 2016. The decrease in same store revenues was primarily attributable to a decline in the Core U.S. segment, as discussed further in the segment performance section below.

Cost of Rentals and Fees. Cost of rentals and fees consists primarily of depreciation of rental merchandise. Cost of rentals and fees for the six months ended June 30, 2017, decreased by \$24.1 million, or 7.0%, to \$321.3 million, as compared to \$345.4 million in 2016. This decrease in cost of rentals and fees was primarily attributable to a \$26.7 million decrease in the Core U.S. segment as a result of lower rentals and fees revenue. Cost of rentals and fees expressed as a percentage of rentals and fees revenue increased to 27.4% for the six months ended June 30, 2017 as compared to 26.2% in 2016.

Cost of Merchandise Sold. Cost of merchandise sold increased by \$1.4 million, or 0.8%, to \$186.2 million for the six months ended June 30, 2017, from \$184.8 million in 2016, primarily attributable to an increase of \$2.3 million in the Acceptance Now segment, partially offset by a decrease of \$0.5 million in both the Core U.S. and Mexico segments. The gross margin percent of merchandise sales decreased to 6.2% for the six months ended June 30, 2017, from 11.4% in 2016.

Gross Profit. Gross profit decreased by \$139.9 million, or 13.5%, to \$895.2 million for the six months ended June 30, 2017, from \$1,035.1 million in 2016, due primarily to a decrease of \$139.1 million in the Core U.S. segment. Gross profit as a percentage of total revenue decreased to 63.1% for the six months ended June 30, 2017, as compared to 65.3% in 2016.

Store Labor. Store labor decreased by \$37.8 million, or 9.2%, to \$371.6 million, for the six months ended June 30, 2017, as compared to \$409.4 million in 2016, primarily attributable to a decrease of \$36.5 million in the Core U.S. segment as a result of our rationalization of the Core U.S. store base and lower insurance expenses. Store labor expressed as a percentage of total store revenue was 26.4% for the six months ended June 30, 2017, as compared to 26.0% in 2016.

Other Store Expenses. Other store expenses decreased by \$30.2 million, or 7.5%, to \$374.5 million for the six months ended June 30, 2017, as compared to \$404.7 million in 2016, primarily attributable to a decrease of \$34.0 million in the Core U.S. segment as a result of our rationalization of the Core U.S. store base, and partially offset by an increase of \$4.2 million in the Acceptance Now segment. Other store expenses expressed as a percentage of total store revenue were 26.6% for the six months ended June 30, 2017, compared to 25.7% in 2016.

General and Administrative Expenses. General and administrative expenses increased by \$3.7 million, or 4.4%, to \$86.9 million for the six months ended June 30, 2017, as compared to \$83.2 million in 2016, primarily due to incentive compensation accrued at a higher rate than the prior year. General and administrative expenses expressed as a percentage of total revenue were 6.1% for the six months ended June 30, 2017, compared to 5.2% in 2016.

Other Charges. Other charges increased by \$3.5 million, or 16.3%, to \$24.8 million for the six months ended June 30, 2017, as compared to \$21.3 million in 2016. Other charges for the six months ended June 30, 2017 and 2016 primarily included charges related to the closure of Core U.S. and Acceptance Now locations, reductions in our Corporate field support center, and incremental legal and advisory fees.

Operating Profit. Operating profit decreased by \$75.7 million, or 99.6%, to \$0.3 million for the six months ended June 30, 2017, as compared to \$76.0 million in 2016 due primarily to decreases of \$45.6 million and \$17.7 million in the Core U.S. and Acceptance Now segments, respectively, offset by an increase of \$2.2 million in the Mexico segment as discussed in the segment performance sections below. Operating profit expressed as a percentage of total revenue was 0.0% for the six months ended June 30, 2017, compared to 4.8% in 2016, primarily due to the decrease in Core U.S. revenue and gross profit as discussed further in the segment performance section below. Excluding other charges, operating profit was \$25.0 million, or 1.8% of revenue for the six months ended June 30, 2017, compared to \$97.3 million, or 6.1% of revenue for the comparable period of 2016.

Income Tax Benefit. Income tax benefit for the six months ended June 30, 2017 was \$8.7 million, as compared to income tax expense of \$17.5 million in 2016. The effective tax benefit rate was 35.8% for the six months ended June

30, 2017, compared to an expense of 33.3% in 2016, primarily due to the decrease in operating profit described above. Excluding other charges, the effective tax expense rate was 37.5% for the six months ended June 30, 2017, as compared to 38.0% in 2016.

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Segment Performance

Core U.S. segment

(dollar amounts in thousands)	Three Months Ended				Six Months Ended			
	June 30,		Change		June 30,		Change	
	2017	2016	\$	%	2017	2016	\$	%
Revenues	\$457,025	\$530,612	\$(73,587)	(13.9)%	\$947,924	\$1,114,977	\$(167,053)	(15.0)%
Gross profit	318,006	383,129	(65,123)	(17.0)%	655,960	795,018	(139,058)	(17.5)%
Operating profit	30,980	38,715	(7,735)	(20.0)%	55,382	100,951	(45,569)	(45.1)%
Change in same store revenue				(10.2)%				(11.4)%
Stores in same store revenue calculation			1,891				1,938	

Revenues. The decrease in revenue for the three and six months ended June 30, 2017, were driven primarily by a decrease in rentals and fees revenue of \$71.1 million and \$154.9 million, respectively, as compared to 2016. This decrease is primarily due to the decrease in same store revenue and the rationalization of our Core U.S. store base in the prior year. The decrease in same store revenue was driven primarily by a lower portfolio balance during the first half of 2017.

Gross Profit. Gross profit decreased for the three and six months ended June 30, 2017, as compared to 2016, primarily due to the decrease in store revenue as described above and targeted pricing actions implemented to right size the inventory mix and changes from the new value proposition. Gross profit as a percentage of segment revenues decreased to 69.6% and 69.2% for the three and six months ended June 30, 2017, respectively, as compared to 72.2% and 71.3% for the respective periods in 2016.

Operating Profit. Operating profit as a percentage of segment revenues was 6.8% and 5.8% for the three and six months ended June 30, 2017, respectively, compared to 7.3% and 9.1% for the respective periods in 2016, primarily due to sales deleverage, offset by a decrease in store labor of \$19.4 million and \$36.5 million, and other store expenses of \$17.6 million and \$34.0 million, for the three and six months ended June 30, 2017, respectively. Declines in store labor and other store expenses were driven primarily by lower store count and lower customer stolen merchandise losses. Charge-offs in our Core U.S. rent-to-own stores due to customer stolen merchandise, expressed as a percentage of Core U.S. rent-to-own revenues, were approximately 2.4% and 2.8% for the three and six months ended June 30, 2017, respectively, compared to 2.9% and 3.2% for the respective periods in 2016. Charge-offs in our Core U.S. rent-to-own stores due to other merchandise losses, expressed as a percentage of Core U.S. rent-to-own revenues, were approximately 1.8% and 1.9% for the three and six months ended June 30, 2017, respectively, compared to 1.8% and 1.7% for the respective periods in 2016. Other merchandise losses include unrepairable and missing merchandise, and loss/damage waiver claims.

Acceptance Now segment

(dollar amounts in thousands)	Three Months Ended				Six Months Ended			
	June 30,		Change		June 30,		Change	
	2017	2016	\$	%	2017	2016	\$	%
Revenues	\$203,321	\$199,516	\$3,805	1.9 %	\$437,867	\$429,912	\$7,955	1.9 %
Gross profit	103,934	105,352	(1,418)	(1.3) %	218,363	216,494	1,869	0.9 %
Operating profit	18,597	27,547	(8,950)	(32.5)%	39,216	56,916	(17,700)	(31.1)%
Change in same store revenue				6.7 %				4.1 %
Stores in same store revenue calculation			552				1,064	

Revenues. The increase in revenue for the three and six months ended June 30, 2017, were driven primarily by an increase in same store revenue of \$5.0 million and \$9.7 million, respectively, compared to the same periods in 2016,

partially offset by lower store count.

Gross profit. Gross profit decreased for the three months ended June 30, 2017, compared to the respective period in 2016, primarily due to a \$3.9 million increase in cost of merchandise sold driven by a focused effort to encourage ownership and reduce returned product. Gross profit increased for the six months ended June 30, 2017, compared to the respective period in 2016, primarily due to the increase in same store revenue described above. Gross profit as a percentage of segment revenues was 51.1% and 49.9% for the three and six months ended June 30, 2017, respectively, compared to 52.8% and 50.4% for the respective periods in 2016.

Operating profit. Operating profit decreased by 32.5% and 31.1% for the three and six months ended June 30, 2017, respectively, as compared to the respective periods in 2016. The decrease in operating profit for the three and six months ended June 30, 2017 was primarily due to charges incurred for store closures and increases in rental merchandise losses. Excluding other charges,

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operating profit decreased by 9.2% and 3.0% for the three and six months ended June 30, 2017, respectively, as compared to the respective periods in 2016. Charge-offs in our Acceptance Now locations due to customer stolen merchandise, expressed as a percentage of revenues, were approximately 11.9% and 11.8% for the three and six months ended June 30, 2017, respectively, compared to 10.1% and 9.5% for the respective periods in 2016. Excluding other charges, charge-offs due to customer stolen merchandise were 9.4% for the three and six months ended June 30, 2017. Charge-offs in our Acceptance Now locations due to other merchandise losses, expressed as a percentage of revenues, were approximately 0.9% and 1.0% for the three and six months ended June 30, 2017, compared to 0.9% for the respective periods in 2016.

Mexico segment

	Three Months Ended				Six Months Ended			
	June 30,		Change		June 30,		Change	
(dollar amounts in thousands)	2017	2016	\$	%	2017	2016	\$	%
Revenues	\$12,014	\$13,311	\$(1,297)	(9.7)%	\$23,114	\$27,060	\$(3,946)	(14.6)%
Gross profit	8,381	9,254	(873)	(9.4)%	16,202	18,581	(2,379)	(12.8)%
Operating (loss) profit	(41)	572	(613)	(107.2)%	120	(2,038)	2,158	105.9%
Change in same store revenue				(6.9)%				(6.4)%
Stores in same store revenue calculation				118				118

Revenues. Revenues for the three and six months ended June 30, 2017, were negatively impacted by approximately \$0.4 million and \$1.8 million, respectively, due to exchange rate fluctuations as compared to the respective periods in 2016. On a constant currency basis, the decrease in revenue for the three and six months ended June 30, 2017, was primarily driven by a decrease in same store revenue, compared to the same periods in 2016.

Gross Profit. Gross profit for the three and six months ended June 30, 2017, was negatively impacted by approximately \$0.3 million and \$1.3 million, respectively, due to exchange rate fluctuations as compared to the respective periods in 2016. On a constant currency basis, gross profit decreased primarily as a result of decreased revenues as described above. Gross profit as a percentage of segment revenues improved to 69.8% and 70.1% for the three and six months ended June 30, 2017, respectively, as compared to 69.5% and 68.7% for the respective periods in 2016, driven primarily by higher gross margin merchandise sales due to pricing initiatives.

Operating Profit (Loss). Operating results were negatively impacted by approximately \$0.4 million for the three and six months ended June 30, 2017, due to exchange rate fluctuations compared to respective periods in 2016. On a constant currency basis, operating results as a percentage of segment revenues decreased to (0.3)% for the three months ended June 30, 2017, from 4.3% for the respective period in 2016, primarily driven by the declines in revenues and gross profit described above. Operating results as a percentage of segment revenues increased to 0.5% for the six months ended June 30, 2017, from (7.5)% for the respective period in 2016. Operating losses for the six months ended June 30, 2016 included other charges of \$2.3 million, primarily related to store closures during the first quarter of 2016. Excluding other charges, related to Mexico field support center headcount reductions, operating results as a percentage of segment revenues would have been 1.1% and 1.2% for the three and six months ended June 30, 2017, respectively, compared to 4.0% and 1.1% for the respective periods in 2016.

Franchising segment

	Three Months Ended				Six Months Ended			
	June 30,		Change		June 30,		Change	
(dollar amounts in thousands)	2017	2016	\$	%	2017	2016	\$	%
Revenues	\$5,275	\$6,180	\$(905)	(14.6)%	\$10,716	\$13,322	\$(2,606)	(19.6)%
Gross profit	2,212	2,423	(211)	(8.7)%	4,671	5,009	(338)	(6.7)%
Operating profit	1,092	1,425	(333)	(23.4)%	2,533	2,838	(305)	(10.7)%

Revenues. Revenues decreased for the three and six months ended June 30, 2017, respectively, compared to the respective periods in 2016, primarily due to a lower amount of merchandise sold to the Company's franchise partners.

Gross Profit. Gross profit as a percentage of segment revenues increased to 41.9% and 43.6% for the three and six months ended June 30, 2017, respectively, from 39.2% and 37.6% for the respective periods in 2016.

Operating Profit. Operating profit as a percentage of segment revenues decreased to 20.7% for the three months ended June 30, 2017, compared to 23.1% for the respective period in 2016, and increased to 23.6% for the six months ended June 30, 2017, compared to 21.3% for the respective period in 2016.

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Liquidity and Capital Resources

Overview. For the six months ended June 30, 2017, we had \$111.9 million of net cash provided by operating activities. We paid down debt by \$87.1 million from cash generated from operations and also used cash in the amount of \$40.2 million for capital expenditures and \$8.5 million for payment of dividends, ending the six-month period with \$73.8 million of cash and cash equivalents.

Analysis of Cash Flow. Cash provided by operating activities decreased \$191.3 million to \$111.9 million for the six months ended June 30, 2017, from \$303.2 million in 2016. This was primarily attributable to the receipt in 2016 of income tax refunds of approximately \$80.0 million, the decline in net earnings for the six months ended June 30, 2017 compared to the same period in 2016, and other net changes in operating assets and liabilities.

Cash used in investing activities increased approximately \$11.1 million to \$39.5 million for the six months ended June 30, 2017, from \$28.4 million in 2016, due primarily to an increase in capital expenditures.

Cash used in financing activities was \$95.7 million for the six months ended June 30, 2017, compared to \$249.9 million in 2016, a change of \$154.1 million, primarily driven by our net reduction in debt of \$87.1 million for the six months ended June 30, 2017, as compared to a net decrease in debt of \$232.7 million for the comparable period in 2016, and \$8.5 million decrease in dividend payments for the six months ended June 30, 2017 compared to the same period in 2016.

Liquidity Requirements. Our primary liquidity requirements are for rental merchandise purchases. As we implement our growth strategies, the need for additional rental merchandise is expected to remain our primary capital requirement. Other capital requirements include expenditures for property assets and debt service. Our primary sources of liquidity have been cash provided by operations. In the future, to provide any additional funds necessary for the continued operations and expansion of our business, we may incur from time to time additional short-term or long-term bank indebtedness and may issue, in public or private transactions, equity and debt securities. The availability and attractiveness of any outside sources of financing will depend on a number of factors, some of which relate to our financial condition and performance, and some of which are beyond our control, such as prevailing interest rates and general financing and economic conditions. There can be no assurance that additional financing will be available, or if available, that it will be on terms we find acceptable.

Should we require additional funding sources, we maintain revolving credit facilities, including a \$20.0 million line of credit at INTRUST Bank, N.A. The availability of our INTRUST line of credit is restricted if the borrowing capacity under our Revolving Facility drops below \$10 million. We utilize our Revolving Facility for the issuance of letters of credit, as well as to manage normal fluctuations in operational cash flow caused by the timing of cash receipts. In that regard, we may from time to time draw funds under the Revolving Facility for general corporate purposes. Amounts are drawn as needed due to the timing of cash flows and are generally paid down as cash is generated by our operating activities. We believe the cash flow generated from operations, together with amounts available under our Credit Agreement, will be sufficient to fund our liquidity requirements during the next 12 months. While our operating cash flow has been strong and we expect this strength to continue, our liquidity could be negatively impacted if we do not remain as profitable as we expect. At July 24, 2017, we had \$55.0 million in cash on hand, and \$143.4 million available under our Revolving Facility at June 30, 2017, net of the \$50 million of excess availability we must maintain on the Revolving Facility as a result of being out of compliance with our Fixed Charge Coverage Ratio covenant.

On June 6, 2017, we entered into a Fourth Amendment (the "Fourth Amendment"), effective as of June 6, 2017, with JPMorgan Chase Bank, N.A., as administrative agent, the other agents party thereto and the lenders party thereto, to the Credit Agreement. Under the Fourth Amendment, we agreed to provide additional collateral protections to secure the obligations under the Credit Agreement. The Fourth Amendment also modified the borrowing terms of the revolving loans under the Credit Agreement, which, as amended, establishes that the aggregate outstanding amounts (including after any draw request) not exceed the Borrowing Base. The Borrowing Base is tied to the Company's Eligible Installment Sales Accounts, Inventory and Eligible Rental Contracts, in addition to Reserves and the Term Loan Reserve. We will provide to the Agent information necessary to calculate the Borrowing Base within 30 days of the end of each calendar month, unless the remaining availability of the Revolving Facility is less than 20% of the

maximum borrowing capacity of the Revolving Facility or \$60 million, in which case the Company must provide weekly information.

The Fourth Amendment reduced the capacity of the Revolving Facility from \$675 million to \$350 million and the aggregate amount of Incremental Term Loans and Incremental Revolving Commitments from \$250 million to \$100 million. We may request an Incremental Revolving Loan, provided that at the time of such draw, and after giving effect thereto, (i) the Consolidated Fixed Charge Coverage Ratio on a pro forma basis is no less than 1.10:1, (ii) the Total Revolving Extensions of Credit do not exceed the Borrowing Base, and (iii) if the draw occurs during a Minimum Availability Period, the Availability must be more than the Availability Threshold Amount.

A change in control would result in an event of default under our senior credit facilities which would allow our lenders to accelerate the indebtedness owed to them. In addition, if a change in control occurs, we may be required to offer to repurchase all of our

RENT-A-CENTER, INC. AND SUBSIDIARIES

outstanding senior unsecured notes at 101% of their principal amount, plus accrued interest to the date of repurchase. Our senior credit facilities limit our ability to repurchase the senior unsecured notes, including in the event of a change in control. In the event a change in control occurs, we cannot be sure we would have enough funds to immediately pay our accelerated senior credit facilities and senior note obligations or that we would be able to obtain financing to do so on favorable terms, if at all.

Deferred Taxes. Certain federal tax legislation enacted during the period 2009 to 2014 permitted bonus first-year depreciation deductions ranging from 50% to 100% of the adjusted basis of qualified property placed in service during such years. The depreciation benefits associated with these tax acts are now reversing. On December 18, 2015, the Protecting Americans from Tax Hikes Act of 2015 ("PATH") extended the bonus depreciation to 2015 and through December 2019. The PATH act permits first-year bonus depreciation of 50% in 2015-2017, 40% in 2018, and 30% in 2019. The PATH act resulted in an estimated benefit of \$154 million for us in 2016. We estimate the remaining tax deferral associated with these acts is approximately \$199 million at June 30, 2017, of which approximately 75.4%, or \$150 million will reverse in 2017, and the remainder will reverse between 2018 and 2019. We also estimate a benefit of \$171 million resulting from bonus depreciation in 2017 which will offset the \$150 million reversal, resulting in a net positive impact to cash taxes of \$22 million.

Merchandise Losses. Merchandise losses consist of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2017	2016	2017	2016
Customer stolen merchandise ⁽¹⁾	\$ 37,734	\$ 37,944	\$ 83,295	\$ 82,108
Other merchandise losses ⁽²⁾	9,977	11,484	21,481	22,503
Total merchandise losses	\$ 47,711	\$ 49,428	\$ 104,776	\$ 104,611

Customer stolen merchandise for the three and six months ended June 30, 2017 includes inventory losses related to ⁽¹⁾ the closure of hhgregg and Conn's locations. See other charges in Note 5 to the condensed consolidated financial statements.

⁽²⁾ Other merchandise losses include unrepairable and missing merchandise, and loss/damage waiver claims.

Capital Expenditures. We make capital expenditures in order to maintain our existing operations as well as for new capital assets in new and acquired stores, and investment in information technology. We spent \$40.2 million and \$28.2 million on capital expenditures during the six months ended June 30, 2017 and 2016, respectively. The increase in capital expenditures for the six months ended June 30, 2017, compared to the respective period in 2016, is primarily due to the timing of cash payments related to information technology investments in 2016, and store refreshes performed during the first and second quarter of 2017.

Acquisitions and New Location Openings. During the first six months of 2017, we acquired one new location and accounts for an aggregate purchase price of approximately \$0.2 million in one transaction.

The table below summarizes the location activity for the six-month period ended June 30, 2017.

	Core U.S.	Now Staffed	Acceptance Now Direct	Acceptance Mexico	Franchising	Total
Locations at beginning of period	2,463	1,431	478	130	229	4,731
New location openings	—	133	5	1	—	139
Acquired locations remaining open	—	—	—	—	3	3
Conversions	—	(5)	5	—	—	—
Closed locations						
Merged with existing locations	(20)	(370)	(381)	—	—	(771)
Sold or closed with no surviving location	(6)	—	(1)	—	(4)	(11)
Locations at end of period	2,437	1,189	106	131	228	4,091

Acquired locations closed and accounts merged with existing locations	1	—	—	—	—	1
Total approximate purchase price of acquired stores (in millions)	\$ 0.2	\$ —	\$ —	\$ —	\$ —	\$0.2

Senior Debt. See description of the Credit Agreement in Note 2 to the condensed consolidated financial statements. We may use \$150 million of the Revolving Facility for the issuance of letters of credit, of which \$91.1 million had been so utilized as of July 24, 2017. The Term Loans are scheduled to mature on March 19, 2021, and the Revolving Facility has a scheduled maturity of March 19, 2019. The weighted average Eurodollar rate on our outstanding debt was 1.21% at July 24, 2017.

Senior Notes. See descriptions of the senior notes in Note 3 to the condensed consolidated financial statements.

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Store Leases. We lease space for substantially all of our Core U.S. and Mexico stores and certain support facilities under operating leases expiring at various times through 2023. Most of our store leases are five year leases and contain renewal options for additional periods ranging from three to five years at rental rates adjusted according to agreed-upon formulas.

Franchising Guarantees. Our subsidiary, ColorTyme Finance, Inc. ("ColorTyme Finance"), is a party to an agreement with Citibank, N.A., pursuant to which Citibank provides up to \$27.0 million in aggregate financing to qualifying franchisees of Franchising. Under the Citibank agreement, upon an event of default by the franchisee under agreements governing this financing and upon the occurrence of certain other events, Citibank can assign the loans and the collateral securing such loans to ColorTyme Finance, with ColorTyme Finance paying or causing to be paid the outstanding debt to Citibank and then succeeding to the rights of Citibank under the debt agreements, including the right to foreclose on the collateral. Rent-A-Center and ColorTyme Finance guarantee the obligations of the franchise borrowers under the Citibank facility. An additional \$20.0 million of financing is provided by Texas Capital Bank, National Association under an agreement similar to the Citibank financing, which is guaranteed by Rent-A-Center East, Inc., a subsidiary of Rent-A-Center. The maximum guarantee obligations under these agreements, excluding the effects of any amounts that could be recovered under collateralization provisions, are \$47.0 million, of which \$2.1 million was outstanding as of June 30, 2017.

Contractual Cash Commitments. The table below summarizes debt, lease and other minimum cash obligations outstanding as of June 30, 2017:

(in thousands)	Payments Due by Period				
	Total	2017	2018-2019	2020-2021	Thereafter
Senior Term Debt ⁽¹⁾	\$49,688	\$1,125	\$4,500	\$44,063	\$—
Revolving Facility ⁽²⁾	55,000	—	55,000	—	—
6.625% Senior Notes ⁽³⁾	360,619	9,697	38,788	312,134	—
4.75% Senior Notes ⁽⁴⁾	297,500	5,938	23,750	267,812	—
Operating Leases	480,069	84,176	257,262	123,561	15,070
Total ⁽⁵⁾	\$1,242,876	\$100,936	\$379,300	\$747,570	\$15,070

Does not include interest payments. Our senior term debt bears interest at varying rates equal to the Eurodollar rate (1) (not less than 0.75%) plus 3.00% or the prime rate plus 2.00% at our election. The Eurodollar rate on our senior term debt at June 30, 2017, was 1.23%.

(2) Does not include interest payments. Our Revolving Facility bears interest at varying rates equal to the Eurodollar rate plus 1.50% to 3.00% or the prime rate plus 0.50% to 2.00% at our election. The weighted average Eurodollar rate on our Revolving Facility at June 30, 2017 was 1.19%.

(3) Includes interest payments of \$9.7 million on each May 15 and November 15 of each year.

(4) Includes interest payments of \$5.9 million on each May 1 and November 1 of each year.

As of June 30, 2017, we have \$33.1 million in uncertain tax positions. Because of the uncertainty of the amounts to (5) be ultimately paid as well as the timing of such payments, uncertain tax positions are not reflected in the contractual obligations table.

Seasonality. Our revenue mix is moderately seasonal, with the first quarter of each fiscal year generally providing higher merchandise sales than any other quarter during a fiscal year, primarily related to our customers' receipt of their federal income tax refunds. Generally, our customers will more frequently exercise the early purchase option on their existing rental purchase agreements or purchase pre-leased merchandise off the showroom floor during the first quarter of each fiscal year. Furthermore, we tend to experience slower growth in the number of rental purchase agreements in the third quarter of each fiscal year when compared to other quarters throughout the year. We expect these trends to continue in the future.

Effect of New Accounting Pronouncements

Please refer to New Accounting Pronouncements in Note 1 of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Sensitivity

As of June 30, 2017, we had \$292.7 million in senior notes outstanding at a fixed interest rate of 6.625%, and \$250.0 million in senior notes outstanding at a fixed interest rate of 4.75%. We also had \$49.7 million outstanding in Term Loans, \$55.0 million outstanding under our Revolving Facility and no outstanding borrowings under our INTRUST line of credit, each at interest rates indexed to the Eurodollar rate or the prime rate. The fair value of the 6.625% senior notes, based on the closing price at June 30, 2017, was \$274.4 million. The fair value of the 4.75% senior notes, based on the closing price at June 30, 2017, was \$226.3 million. Carrying value approximates fair value for all other indebtedness.

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Market Risk

Market risk is the potential change in an instrument's value caused by fluctuations in interest rates. Our primary market risk exposure is fluctuations in interest rates. Monitoring and managing this risk is a continual process carried out by our senior management. We manage our market risk based on an ongoing assessment of trends in interest rates and economic developments, giving consideration to possible effects on both total return and reported earnings. As a result of such assessment, we may enter into swap contracts or other interest rate protection agreements from time to time to mitigate this risk.

Interest Rate Risk

We have outstanding debt with variable interest rates indexed to prime or Eurodollar rates that exposes us to the risk of increased interest costs if interest rates rise. As of June 30, 2017, we have not entered into any interest rate swap agreements. Based on our overall interest rate exposure at June 30, 2017, a hypothetical 1.0% increase or decrease in market interest rates would have the effect of causing a \$1.1 million additional annualized pre-tax charge or credit to our consolidated statement of operations.

Foreign Currency Translation

We are exposed to market risk from foreign exchange rate fluctuations of the Mexican peso to the U.S. dollar as the financial position and operating results of our stores in Mexico are translated into U.S. dollars for consolidation. Resulting translation adjustments are recorded as a separate component of stockholders' equity.

Item 4. Controls and Procedures.

Disclosure controls and procedures. In accordance with Rule 13a-15(b) under the Securities Exchange Act of 1934, an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and interim Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our management, including our Chief Executive Officer and our interim Chief Financial Officer, concluded that, as of June 30, 2017, our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were effective.

Changes in internal controls over financial reporting. For the quarter ended June 30, 2017, there have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) that, in the aggregate, have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – Other Information

Item 1. Legal Proceedings

Alan Hall, et. al. v. Rent-A-Center, Inc., et. al.; James DePalma, et. al. v. Rent-A-Center, Inc., et. al. On December 23, 2016, a putative class action was filed against us and certain of our former officers by Alan Hall in federal court in Sherman, Texas. The complaint alleges that the defendants violated Section 10(b) and/or Section 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by issuing false and misleading statements and omitting material facts regarding our business, including implementation of our point-of-sale system, operations and prospects during the period covered by the complaint. The complaint purports to be brought on behalf of all purchasers of our common stock from July 27, 2015 through October 10, 2016, and seeks damages in unspecified amounts and costs, fees, and expenses. A complaint filed by James DePalma also in Sherman, Texas alleging similar claims was consolidated by the court into the Hall matter. We believe that these claims are without merit and intend to vigorously defend ourselves. However, we cannot assure you that we will be found to have no liability in this matter. Kevin Paul, derivatively and on behalf of Rent-A-Center, Inc. v. Robert D. Davis et. al.; Sheila Coleman, derivatively and on behalf of Rent-A-Center, Inc. v. Robert D. Davis et. al.; Michael Downing, derivatively and on behalf of Rent-A-Center, Inc. v. Mark E. Speese et. al. On March 15 and 16, 2017, substantially similar shareholder derivative suits were filed against certain current and former officers and directors and, nominally, against us, in state court in Dallas County, Texas. Another substantially similar shareholder derivative suit was filed against certain current and

former officers and directors and, nominally, against us, in state court in Collin County, Texas on May 8, 2017. All three of the cases have been consolidated in state court in Dallas County, Texas. The lawsuits allege that the defendants breached their fiduciary duties owed to Rent-A-Center and otherwise mismanaged the affairs of the company as it concerns public statements made related to our point-of-sale system, operational results of our Acceptance Now segment, and our revenues and profitability. The petitions in these suits claim damages in unspecified amounts; seek an order directing the Company to make various changes to corporate governance and internal procedures, including putting forth a shareholder vote on various; restitution from the individual defendants; and cost, fees and expenses. We believe that these claims are without merit and intend to vigorously defend ourselves. However, we cannot assure you that the individual defendants will be found to have no liability in this matter.

RENT-A-CENTER, INC. AND SUBSIDIARIES

Arnaud van der Gracht de Rommerswael, derivatively and on behalf of Rent-A-Center, Inc. v. Mark Speese et. al. On April 3, 2017, another shareholder derivative suit was filed against certain current and former officers and directors, JPMorgan Chase Bank, N.A., The Bank of New York Mellon Trust Company, N.A., and, nominally, against us, in federal court in Sherman, Texas. The complaint alleges that the defendants breached their fiduciary duties owed to Rent-A-Center and otherwise mismanaged the affairs of the company as it concerns (i) public statements made related to the rollout of our point-of-sale system; (ii) compensation paid to Guy Constant and Robert Davis surrounding their resignations; and (iii) change-of-control language in certain debt agreements, which the suit alleges impacts shareholders' willingness to vote for a slate of directors nominated by Engaged Capital Flagship Master Fund, LP. ("Engaged Capital"). The complaint claims damages in unspecified amounts, disgorgement of benefits from alleged breaches of duty by the individual defendants; an order declaring that certain language in the debt agreements is unenforceable; an order enjoining the lender defendants from enforcing certain provisions in the debt agreements; an order directing the Company's board to approve Engaged Capital's slate of directors; an order directing the Company to make unspecified changes to corporate governance and internal procedures; and costs, fees, and expenses. We believe that these claims are without merit and intend to vigorously defend ourselves. However, we cannot assure you that the defendants will be found to have no liability in this matter.

RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Item 1A. Risk Factors

Except as set forth in Item 1A of Part II, "Risk Factors," in our Form 10-Q for the quarter ended March 31, 2017, there have been no changes to the risk factors disclosed in Item 1A of Part 1, "Risk Factors," in our Form 10-K for the year ended December 31, 2016.

RENT-A-CENTER, INC. AND SUBSIDIARIES

Item 6. Exhibits.

The exhibits required to be furnished pursuant to Item 6 of Form 10-Q are listed in the Exhibit Index filed herewith, which Exhibit Index is incorporated herein by reference.

RENT-A-CENTER, INC. AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RENT-A-CENTER, INC.

By: /s/ MAUREEN B. SHORT

Maureen B. Short

Interim Chief Financial Officer

Date: July 28, 2017

INDEX TO EXHIBITS

Exhibit No.	Description
3.1	<u>Certificate of Incorporation of Rent-A-Center, Inc., as amended (Incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of December 31, 2002.)</u>
3.2	<u>Certificate of Amendment to the Certificate of Incorporation of Rent-A-Center, Inc., dated May 19, 2004 (Incorporated herein by reference to Exhibit 3.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.)</u>
3.3	<u>Amended and Restated Bylaws of Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of September 28, 2011.)</u>
3.4	<u>Certificate of Designations of Series D Preferred Stock of Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of March 29, 2017.)</u>
4.1	<u>Form of Certificate evidencing Common Stock (Incorporated herein by reference to Exhibit 4.1 to the registrant's Current Report on Form 10-Q dated as of March 31, 2017.)</u>
4.2	<u>Indenture, dated as of November 2, 2010, by and among Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee (Incorporated herein by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K dated as of November 2, 2010.)</u>
4.3	<u>Indenture, dated as of May 2, 2013, by and among Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee (Incorporated herein by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K dated as of May 2, 2013.)</u>
4.4	<u>Rights Agreement, dated as of March 28, 2017, between Rent-A-Center, Inc. and American Stock Transfer & Trust Company, LLC, as Rights Agent (Incorporated herein by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K dated as of March 25, 2017.)</u>
10.1†	<u>Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.)</u>
10.2	<u>Guarantee and Collateral Agreement, dated March 19, 2014, by and among Rent-A-Center, Inc., its subsidiaries named as guarantors therein and JPMorgan Chase Bank, N.A. as Administrative Agent (Incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K dated March 19, 2014.)</u>
10.3	<u>Franchisee Financing Agreement, dated April 30, 2002, but effective as of June 28, 2002, by and between Texas Capital Bank, National Association, ColorTyme, Inc. and Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 10.14 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.)</u>
10.4	<u>Supplemental Letter Agreement to Franchisee Financing Agreement, dated May 26, 2003, by and between Texas Capital Bank, National Association, ColorTyme, Inc. and Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 10.23 to the registrant's Registration Statement on Form S-4 filed July 11, 2003.)</u>

- 10.5 First Amendment to Franchisee Financing Agreement, dated August 30, 2005, by and among Texas Capital Bank, National Association, ColorTyme, Inc. and Rent-A-Center East, Inc. (Incorporated herein by reference to Exhibit 10.7 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.)
- 10.6 Franchise Financing Agreement, dated as of August 2, 2010, between ColorTyme Finance, Inc. and Citibank, N.A. (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of August 2, 2010.)
- 10.7 Unconditional Guaranty of Rent-A-Center, Inc., dated as of August 2, 2010, executed by Rent-A-Center, Inc. in favor of Citibank, N.A. (Incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K dated as of August 2, 2010.)
- 10.8 Unconditional Guaranty of Rent-A-Center, Inc., dated as of August 2, 2010, executed by ColorTyme Finance, Inc. in favor of Citibank, N.A. (Incorporated herein by reference to Exhibit 10.3 to the registrant's Current Report on Form 8-K dated as of August 2, 2010.)
- 10.9† Form of Stock Option Agreement issuable to Directors pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.20 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2004.)

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- 10.10 Form of Stock Option Agreement issuable to management pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.21 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2004.)
- 10.11 Summary of Director Compensation (Incorporated herein by reference to Exhibit 10.11 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2016.)
- 10.12 Form of Stock Compensation Agreement issuable to management pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.15 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2005.)
- 10.13 Form of Long-Term Incentive Cash Award issuable to management pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.16 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2005.)
- 10.14 Form of Loyalty and Confidentiality Agreement entered into with management (Incorporated herein by reference to Exhibit 10.14 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2016.)
- 10.15 Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.17 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.)
- 10.16 Form of Stock Option Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.18 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.)
- 10.17 Form of Stock Compensation Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Equity Incentive Plan (Incorporated herein by reference to Exhibit 10.19 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
- 10.18 Form of Long-Term Incentive Cash Award issuable to management pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.20 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
- 10.19 Rent-A-Center, Inc. 2006 Equity Incentive Plan and Amendment (Incorporated herein by reference to Exhibit 4.5 to the registrant's Registration Statement on Form S-8 filed with the SEC on January 4, 2007.)
- 10.20 Form of Stock Option Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Equity Incentive Plan (Incorporated herein by reference to Exhibit 10.22 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
- 10.21 Form of Stock Compensation Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.23 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
- 10.22 Form of Stock Option Agreement issuable to Directors pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.24 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)

- 10.23 Form of Deferred Stock Unit Award Agreement issuable to Directors pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.23 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2010.)
- 10.24 Form of Executive Transition Agreement entered into with management (Incorporated herein by reference to Exhibit 10.24 to the registrant's Annual Report on Form 10-K for the year ended August 31, 2016.)
- 10.25 Rent-A-Center, Inc. 2016 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.36 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016.)
- 10.26 Rent-A-Center, Inc. Non-Qualified Deferred Compensation Plan (Incorporated herein by reference to Exhibit 10.28 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.)
- 10.27 Rent-A-Center, Inc. 401-K Plan (Incorporated herein by reference to Exhibit 10.30 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2008.)
- 10.28 Credit Agreement, dated as of March 19, 2014, among Rent-A-Center, Inc., the several lenders from time to time parties thereto, Bank of America, N.A., BBVA Compass Bank, Wells Fargo Bank, N.A. and Suntrust Bank, as syndication agents, and JPMorgan Chase Bank, N.A., as administrative agent (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated as of March 19, 2014.)

INDEX TO EXHIBITS

- 10.29 Rent-A-Center East, Inc. Retirement Savings Plan for Puerto Rico Employees (Incorporated herein by reference to Exhibit 99.1 to the registrant's Registration Statement on Form S-8 filed January 28, 2011.)
- 10.30 First Amendment to Franchisee Financing Agreement between ColorTyme Finance, Inc. and Citibank, N.A., dated as of July 25, 2012 (Incorporated herein by reference to Exhibit 10.32 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012.)
- 10.31 Master Confirmation Agreement, dated as of May 2, 2013, between Rent-A-Center, Inc. and Goldman Sachs & Co. (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of May 2, 2013.)
- 10.32 Second Amendment to Franchisee Financing Agreement between ColorTyme Finance, Inc. and Citibank, N.A., dated as of August 30, 2013 (Incorporated herein by reference to Exhibit 10.34 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013.)
- 10.33 Third Amendment to Franchisee Financing Agreement between ColorTyme Finance, Inc. and Citibank, N.A., dated as of May 1, 2014 (Incorporated herein by reference to Exhibit 10.33 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.)
- 10.34 Waiver and Fourth Amendment to Franchisee Financing Agreement between ColorTyme Finance, Inc. and Citibank, N.A., dated as of September 1, 2014 (Incorporated herein by reference to Exhibit 10.34 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014.)
- 10.35 First Amendment to the Credit Agreement, dated February 1, 2016, between the Company, JPMorgan Chase Bank, N.A., as administrative agent, the other agents party thereto and the lenders party thereto (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of February 1, 2016.)
- 10.36 Form of Stock Option Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2016 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.37 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016.)
- 10.37 Form of Stock Compensation Agreement (RSU) issuable to management pursuant to the Rent-A-Center, Inc. 2016 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.38 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016.)
- 10.38 Form of Stock Compensation Agreement (PSU) issuable to management pursuant to the Rent-A-Center, Inc. 2016 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.39 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016.)
- 10.39 Second Amendment to the Credit Agreement, dated effective as of September 30, 2016, between the Company, JPMorgan Chase Bank, N.A., as administrative agent, the other agents party thereto and the lenders party thereto (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of October 4, 2016.)
- 10.40 Interim CEO Employment Agreement, dated as of January 9, 2017, between Mark E. Speese and Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of January 9, 2017.)

- 10.41 Separation Agreement and Release of Claims, dated as of January 9, 2017, between Robert D. Davis and Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K dated as of January 9, 2017.)
- 10.42 Amendment No. 1 to Interim CEO Employment Agreement, dated April 10, 2017, between Mark E. Speese and Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of April 9, 2017.)
- 10.43 Third Amendment and Waiver to the Credit Agreement, dated effective as of May 1, 2017, between the Company, JPMorgan Chase Bank, N.A., as administrative agent, the other agents party thereto and the lenders party thereto (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of May 1, 2017.)
- 10.44 Fourth Amendment to the Credit Agreement (including Amended and Restated Guarantee and Collateral Agreement), dated as of June 6, 2017, between the Company, JPMorgan Chase Bank, N.A., as administrative agent, the other agents party thereto and the lenders party thereto (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of June 6, 2017.)
- 18.1 Preferability letter regarding change in accounting principle (Incorporated herein by reference to Exhibit 18.1 to the registrant's Quarterly Report on the Form 10-Q for the quarter ended September 30, 2014).

INDEX TO EXHIBITS

- 21.1 Subsidiaries of Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 21.1 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2016.)
- 31.1* Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002 by Mark E. Speese
- 31.2* Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002 by Maureen B. Short
- 32.1* Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Mark E. Speese
- 32.2* Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Maureen B. Short

101.INS* XBRL Instance Document

101.SCH* XBRL Taxonomy Extension Schema Document

101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF* XBRL Taxonomy Extension Definition Linkbase Document

101.LAB* XBRL Taxonomy Extension Label Linkbase Document

101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document

Management contract or compensatory plan or arrangement

*Filed herewith