

***Aaron's, Inc.***

# Jefferies Consumer Conference

June 2016

**John Robinson, Chief Executive Officer**

**Steve Michaels, Chief Financial Officer and President of  
Strategic Operations**

**Gil Danielson, Executive Vice President**

# Safe Harbor Statement & Use of Non-GAAP Items

## **Safe Harbor Statement:**

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995: Statements in this presentation regarding Aaron's, Inc.'s business that are not historical facts are "forward-looking statements" that involve risks and uncertainties which could cause actual results to differ materially from those contained in the forward-looking statements. Such forward-looking statements generally can be identified by the use of forward-looking terminology, such as "may," "expect," "forecast," "guidance", "intend," "believe," "could," "project," "estimate," "anticipate," "should" and similar terminology. These risks and uncertainties include factors such as changes in general economic conditions, competition, pricing, legal and regulatory proceedings, customer privacy, information security, customer demand, the integration of the Progressive and Dent-a-Med acquisitions, the execution and results of our new strategy, risks related to Progressive's "virtual" lease-to-own business with which the Company may be unfamiliar, and the other risks and uncertainties discussed under "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, and subsequent filings with the SEC. Statements in this presentation that are "forward-looking" include without limitation: Aaron's projected results (including Progressive's and The HELPCard® results) for future periods, statements on cost reductions and strategic initiatives; and statements regarding the future effects of the Progressive acquisition on the Company's business; statements regarding the Company's omni-channel distribution plans; and statements regarding the effects of planned promotions. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. Except as required by law, the Company undertakes no obligation to update these forward-looking statements to reflect subsequent events or circumstances after the date of this presentation.

## **Use of Non-GAAP Financial Information:**

This presentation contains financial information in a format not in accordance with generally accepted accounting principles in the United States ("GAAP"). Management believes that presentation of these non-GAAP items is useful because it gives investors supplemental information to evaluate and compare the Company's underlying operating performance from period to period. Non-GAAP financial measures, however, should not be used as a substitute for, or considered superior to, measures of financial performance prepared in accordance with GAAP. Please refer to our prior earnings releases provided in the Investor Relations section of our website and our earnings releases for further information on our use of non-GAAP financial measures and for a reconciliation of GAAP to non-GAAP items.

# Aaron's is a Dominant Player in Lease-to-Own Market

## Aaron's Core

**\$2.1 B in 2015 Revenues**

**\$214.8 MM in Adjusted EBITDA <sup>1</sup>**

- 1,223 Company Stores
- 732 Franchised stores
- Aarons.com
- New Leadership Team in 2016

## Progressive

**\$1.05 B in 2015 Revenues**

**\$109.0 MM in Adjusted EBITDA <sup>1</sup>**

- 4,200 Retail Partners
- 13,248 Active Doors
- 22 Service Hubs
- Large Total Addressable Market Opportunity

## Consolidated AAN

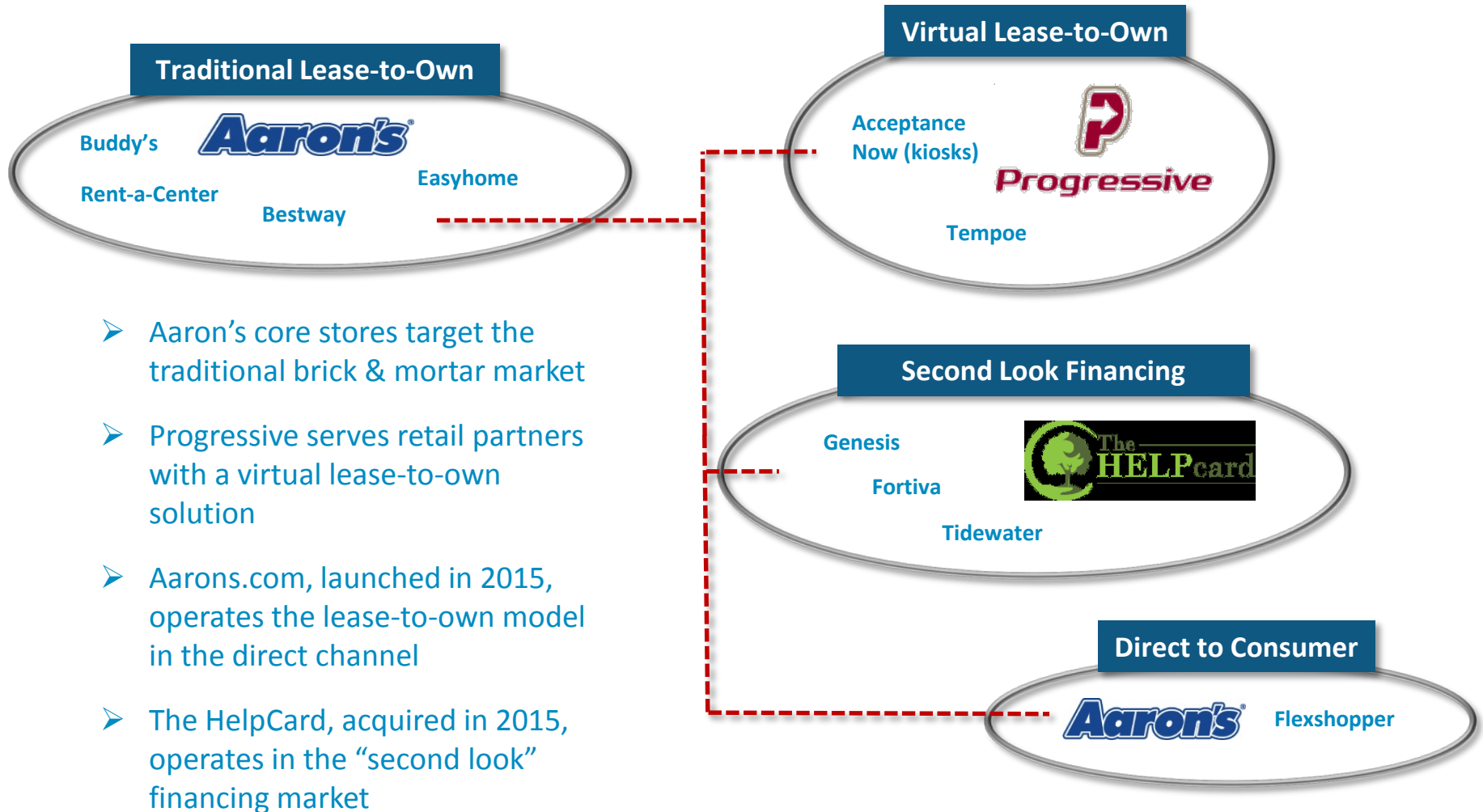
**\$3.2 B in 2015 Revenues**

**\$323.8 MM in Adjusted EBITDA <sup>1</sup>**

- Significant Share of Brick & Mortar and Virtual Lease-to-Own Revenues, Growing E-Commerce Presence
- Large Addressable Markets for Virtual Leasing

<sup>1</sup>In 2015, non-GAAP net earnings and diluted earnings per share exclude the effects of amortization expense resulting from the 2014 acquisition of Progressive, the transaction costs related to the October 2015 Dent-A-Med, Inc. (DAMI) acquisition and a loss due to a lease termination on a Company aircraft; Store and retail partner data as of 12/31/2015

# Broad Penetration Across Lease-to-Own Channels

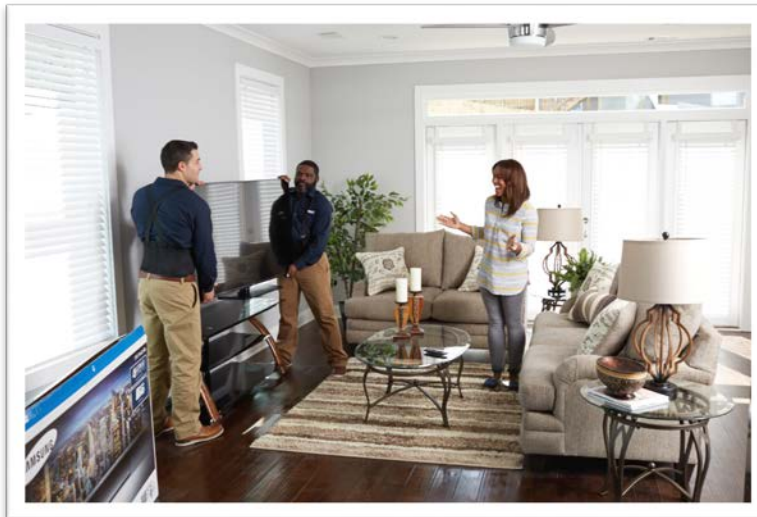


# Extensive Reach Serving Credit Challenged Customers



## *We Target a Large Addressable Market . . .*

- ~115 million U.S. consumers with FICO < 720
- 500-700 FICO has consistently been ~40% of U.S. population
- Two-thirds of all U.S. consumers have household incomes below \$75,000
- Most of these consumers are credit constrained



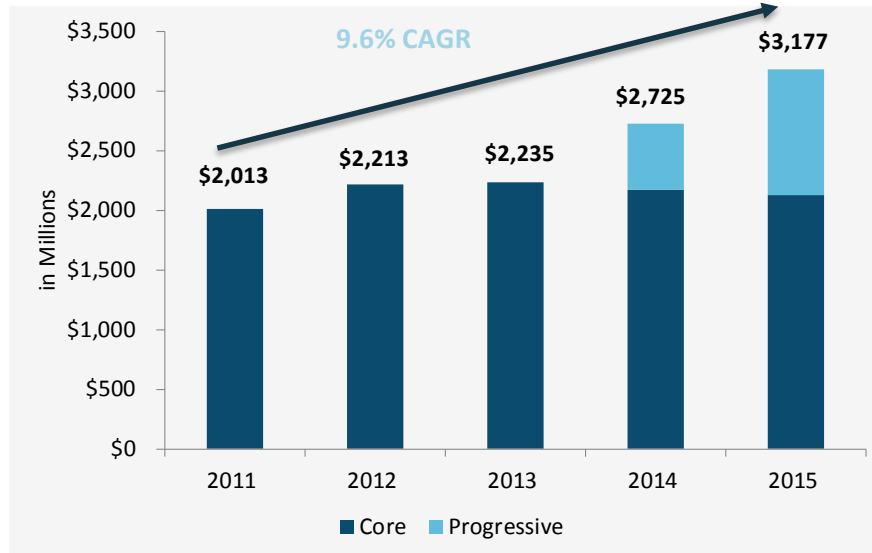
## *. . . With a Desirable Product Mix*

- Core Stores – furniture, electronics, appliances, computers
- Progressive Retail Partners – furniture, mattress, electronics, mobile, auto, jewelry

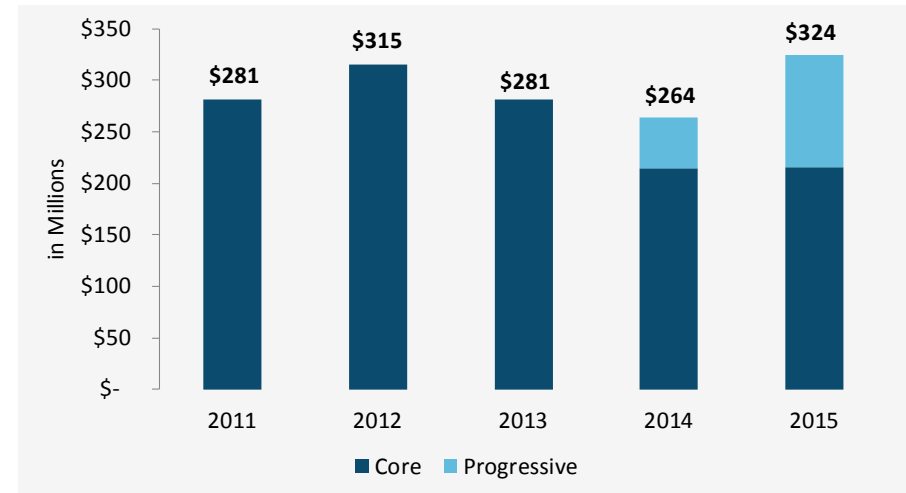
Sources: FICO Banking Analytics, Experian, Wall Street Journal

# Solid Financial Track Record

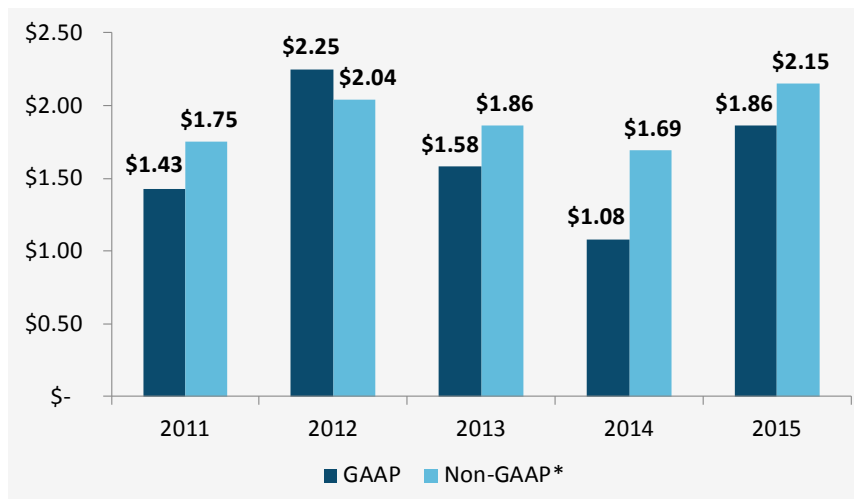
## Growing Revenues



## Adjusted EBITDA\*



## Earnings Per Share



\* Excludes special fees and expenses and Progressive intangible amortization

## Strong Balance Sheet

- Cash on hand at 3/31/2016 ~ \$120 million
- Total net debt of \$377 million and no outstanding balance on \$225 million revolving credit facility as of the end of Q1 2016
- Q1 2016 debt to capitalization - 27%; net debt to capitalization - 21%



# Operating Priority: Profitably Grow Core Stores



## New Team & Set of Initiatives

- **New President of SALO**, from Ace Cash Express
- **Areas of Focus**
  - ✓ **Customer conversion** - leverage resources to support sales culture
  - ✓ **Supply chain** – improve inventory levels and product mix
  - ✓ **Store operations** – drive consistency across collections process, optimize marketing and promotions
- **Improved Cost Structure**
  - ✓ Annualized operating cost reductions of ~\$50m vs Q2 2014 run rate
  - ✓ Closed over 100 stores since 2014
- **Current Revenue Initiatives**
  - ✓ **E-commerce** - Launched in all Aaron's markets in 2015
  - ✓ **Smartphones** – National partnership with Cricket Wireless launched in 2016

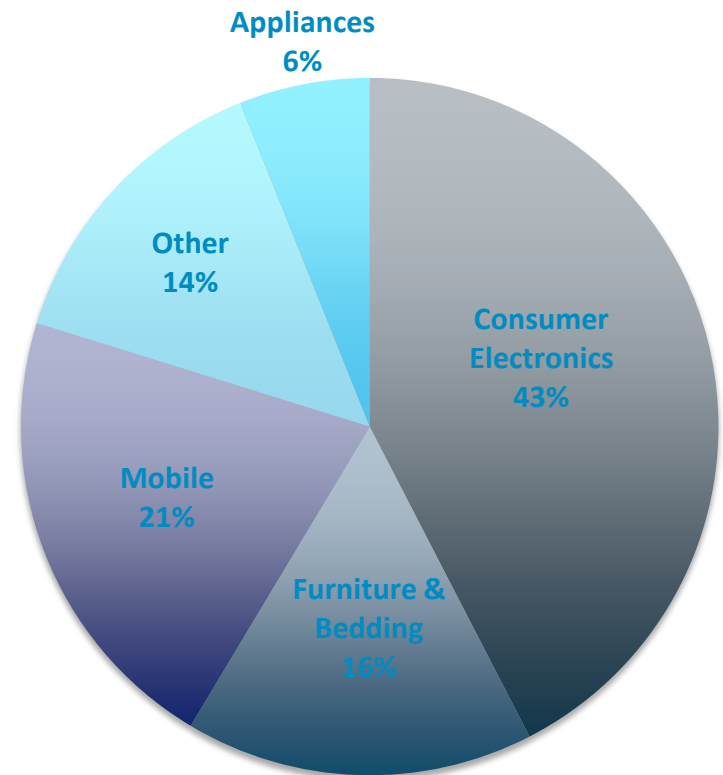
# Operating Priority: Execute on Progressive's Pipeline

## Financial Strength & Scale to Grow

- **High Barriers to Entry** – Proprietary technology; strong operating and field management; significant sales and call-center investment; strong relationships at retail partners
- **Favorable Margin** – 10.4% EBITDA margin on \$1.05 billion in revenues for 2015
- **Significant Opportunity in Existing Doors** – Growth is influenced by adoption rate, changes in mix
- **Robust Pipeline** – Includes both greenfield opportunities and share gains
- **Continued Innovation at Point of Sale** – Approve.Me, groundbreaking application platform launched in 2015

Source: Company reports

## \$25 Billion Addressable Market



Category % represents portion of total addressable market available to virtual lease providers



# Maintain Discipline Around Profitability: 2016 Targets\*

(\$ in Thousands, Except EPS)	2015	2016 Outlook		
	Actual <sup>1</sup>	Low	High	% Increase
Revenues				
Core	\$2,130,075	\$2,050,000	\$2,150,000	
Progressive	1,049,681	1,200,000	1,300,000	
Total Revenues	3,179,756	3,250,000	3,450,000	2% - 9%
EBITDA				
Core	214,808	210,000	230,000	
Progressive <sup>2</sup>	109,006	120,000	130,000	
EBITDA	\$323,814	\$330,000	\$360,000	2% - 11%
GAAP EPS	\$1.86	\$2.03	\$2.23	9% - 20%
Non-GAAP EPS	\$2.15	\$2.20	\$2.40	2% - 12%

\* The Company maintained its 2016 outlook in conjunction with the release of 1Q 2016 results on April 29, 2016

<sup>1</sup> 2015 EBITDA is adjusted to exclude the effects of amortization expense resulting from the 2014 acquisition of Progressive, the transaction costs related to the October 2015 Dent-A-Med, Inc. (DAMI) acquisition and a loss due to a lease termination on a Company aircraft

<sup>2</sup> 2016 outlook includes both Progressive and DAMI