



retail specialists



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Retailer Update

from Retail Specialists, LLC

10/21/2021

RETAILER UPDATE:

Aaron's
Easy. Beautiful. Affordable.

Aaron's has announced it is repositioning its store fleet. A recent real estate trend by Burlington, Macy's, and Nordstrom is to open smaller stores, but Aaron's is taking a different approach in consolidating stores stating in their annual report they will "Align our store footprint with customer opportunity." By choosing to open less stores, it turns out each store is more profitable.

The following excerpt from the company's annual report from February of this year states:

"We intend to reduce our 1,092 company-operated stores in existing markets by approximately 300 stores over the next 3 to 4 years. Through a strategic review of our real estate portfolio, we expect that we can increase profitability and continue to successfully serve our markets through a combination of (a) repositioning, remodeling and consolidating our existing stores and (b) utilizing our growing Aarons.com shopping and servicing platform.

"We expect that this strategy, together with our increased use of technology to better serve our customers, will enable us to reduce store count while retaining a significant portion of our existing customer relationships, as well as attracting new customers.





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Further, we believe there are opportunities to expand to new markets in the future. As part of the optimization of our store portfolio, we have successfully tested a new store concept, which features larger showrooms and/or re-engineered store layouts, increased product selection, technology-enabled shopping and checkout, and a refined operating model."

"Our Real Estate Strategy leads to fewer, more profitable stores."

Quick facts:

- Rent-to-own business model
- Been in business for 65+ years
- \$1.7B in revenue
- 1000+ company-owned stores, 248 franchised locations
- Operate in more than 700 markets
- Trades on NYSE under AAN
- As of 12/31/20 1.1M customers had leases with Aaron's

The Aaron's Company Overview

Aaron's

Aaron's offers a compelling customer value proposition through an attractive, recurring-revenue business model

Key Highlights

(2020 Financial Results)¹

Omni-Channel Rent-to-Own Model

65+ Year Track Record
(Founded 1955)

1.9 Million Unique Customers Annually

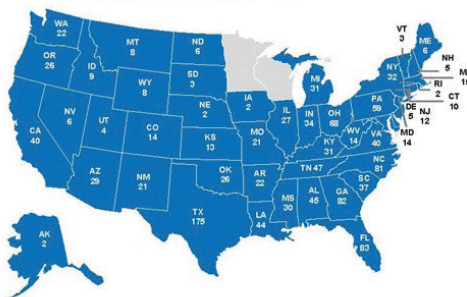
\$1.7 Billion Revenue

\$209 Million Adj. EBITDA²

\$287 Million Free Cash Flow²

Woodhaven Furniture Manufacturing
(40% of Volume)³

Geographic Footprint⁴



1,092 Company Stores

248 Franchise Stores

47 States & Canada

701 Markets

16 Fulfillment Centers

24/7 Shopping Aarons.com

Key Product Categories

(% Revenue)⁵

Furniture
(44%)



Home Appliances
(29%)



Consumer Electronics
(17%)



Computers
(7%)





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Part of the strategy is having a showroom within the store. Fewer stores, but larger footprints. The GenNext repositioning and renovation program has three driving forces:

1. Multi-store consolidation: close 2 or 3 existing stores and relocate to better positioned real estate
2. Relocate an existing store to a better located in the market
3. Renovate existing stores with the GenNext store layout

Real Estate Strategy Leads to Fewer, More Profitable Stores

Plan to reduce our store count over the next 5 years

Site selection is driven by data analytics and insights into where customers live, work, and shop

Recurring revenue model produces compelling real estate consolidation opportunities

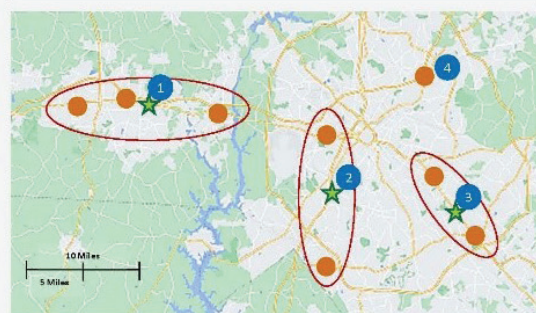
Expect increased capital efficiency, improved unit economics, and strong free cash flow



Company Store Count



Illustrative Case Study



Consolidation - Financial Case Study (\$ millions)

Full Year	Current	Projected	Change
	8 Stores	4 Stores	
Revenue	\$9.0	\$8.0	(\$1.0)
Store EBITDA	\$1.5	\$2.0	\$0.5
Margin	17%	25%	8%

¹ Represents the midpoint of our expected 20% - 30% reduction



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As highlighted in their investor deck slide, they provide an illustrative case study on consolidating eight stores into four that created similar sales with a higher store EBITA and profit margin.

Recently in Snellville Georgia, Aaron's consolidated two stores into one bigger store that included its latest remodel. They leased a former Pier 1 and converted it to a GenNext store model. The new store design provides a fresh and modern look.

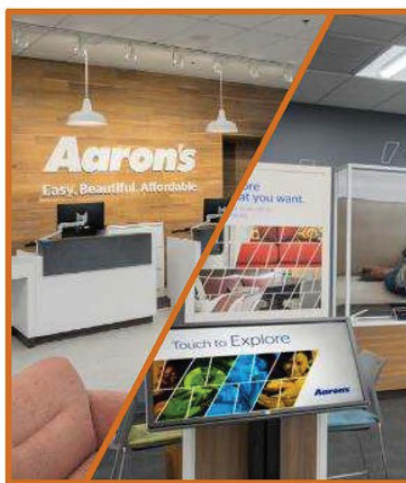
As Aaron's store footprint is changing, so is its customer base. Perhaps not widely known, but Aaron's ecommerce channel is big for its customers. In fact, "49% of Aarons.com customers have never shopped at an Aarons before" and their online customers average five years younger than in-store customers.

New Concept Stores Improve Customer Experience

Aaron's



Value-engineered buildouts modernize the Aaron's brand



Innovative operating model and technology enhance customer experience



Easy-to-navigate, larger showrooms highlight expanded assortment

Analytics-driven market strategy aligns store footprint with our customer opportunity

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Aaron's digital-first strategy is enhancing and streamlining the customer experience to provide less friction and higher customer satisfaction.

As retail continues to evolve, retailers like Aaron's are finding growth through store consolidation, larger showrooms, and by refreshing their existing store fleet with modern and new store designs.

Attached are pictures from their new Snellville Location in the suburbs of Atlanta Ga.





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