The US Rent to Own Market: Analysis By Distribution Channel (Brick & Mortar and E-commerce), Size & Forecast with Impact Analysis of COVID-19 and Forecast up to 2027

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Daedal Research

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1. Executive Summary

Rent-to own (RTO) refers to an agreement in which the buyer has the option to become the owner of the property/goods, after a certain period of fixed time and payment. Previously, rent-to-own agreements explicitly dealt in the purchasing of homes/property only, but nowadays rent-to-own industry comprises of dealers that rent furniture, appliances, home electronics, and jewelry as well to the consumers. The US rent to own market in 2021 was valued at US$10.48 billion. The market is expected to reach US$15.53 billion by 2027, growing at a CAGR of 6.77% during the forecast period of 2022-2027.

The US rent to own market can be segmented based on Distribution Channel (Brick & Mortar and E-commerce). E-commerce segment would grow at a CAGR of 10.08% in the future, due to the stay at home order, people are referring more to e-commerce channels for purchasing various things on lease.

The epidemic of Coronavirus illness (COVID-19) had a significant impact on the US rent to own market, as governments around the world implemented lockdowns. However, the market's total impact was favorable in 2020. The enterprises saw a loss in revenue for the first quarter of the year, however the industry recovered due to increased demand for house ownership, higher rental prices, and other factors. The rent-to-own industry in the US is likely to grow further in the future, owing to the rapid speed of technology improvements, more e-commerce in home purchases, and so on.

The US rent to own market has increased in 2021. The projections are made that the market would rise in the next five years i.e. 2022-2027 tremendously. The US rent to own market is expected to increase due to spike in urbanization, significant population of international migrants, surging GDP growth, rising disposable income, growing millennial population, rising virtual rent-to-own market, etc. Yet the market faces some challenges such as dependency on vendors, suppliers and products, lack of customer security, low profit margin, etc. Moreover, the market growth would succeed to various market trends like hike in internet penetration, rollout of smartphone as new category, rapid pace in technological advancements, etc.

1. Executive Summary

The report titled “The US Rent to Own Market: Analysis By Distribution Channel (Brick & Mortar and E-commerce), Size & Forecast with Impact Analysis of COVID-19 and Forecast up to 2027”, provides an in-depth analysis of the US rent to own market by value, by number of stores, by distribution channel, etc. The report also provides a detailed analysis of the COVID-19 impact on the US rent to own market.

The report also assesses the key opportunities in the market and outlines the factors that are and will be driving the growth of the industry. Growth of the US rent to own market has also been forecasted for the period 2022-2027, taking into consideration the previous growth patterns, the growth drivers, and the current and future trends.

The US rent to own market is fragmented. The key players of the US rent to own market are Rent-A-Center Inc., goeasy Ltd., The Aaron's Company, Inc., Co-Ownership Organization, FlexShopper Inc., EZ Furniture Sales & Leasing, Buddy's Home Furnishings Company, Snap Finance Company, Home Partners of America Company (HPOA), Dream America Organization, Zerodown, Verbhouse, Action Rent to Own, and Divvy Homes, are also profiled with their operating segments and respective business strategies.

2. Introduction

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2.1.1 Rent-To-Own Market

The concept of rent-to-own transactions first came into existence in the UK and continental European countries under the hire purchase model. Within the US, the practice of retail based rent-to-own businesses began to develop in the 1950s and 1960s. In response to growing desire to share information, develop uniform practices and procedures and cultivate a positive public image within the growing rent to own industry in the US, rent-to-own dealers established a trade association – The Association of Progressive Rental Organizations (APRO) in 1980.

The rent-to-own industry consists of dealers that rent furniture, appliances, home electronics, and jewelry to consumers. Rent-to-own transaction provide immediate access to household goods for a relatively low week or monthly payment, typically without any down payment or credit check. Consumers enter into a self-renewing weekly or monthly lease for the rented merchandise, and under no obligation to continue payments beyond the current weekly or monthly period. The lease provides the option to purchase the goods either by continuing to pay rent for a specified period of time, usually 12 to 24 months, or by early payment of some specified proportion of the remaining lease payments.

Such terms are appealing to mass customers as they cannot afford a cash purchase, may be unable to qualify for credit and are unwilling or unable to wait until they can save for a purchase. Some consumers may also value the flexibility offered by the transaction, which allows return of the merchandise at any time without obligation for further payments or negative impact on the customer’s credit rating. Other consumers may rent merchandise to fill a temporary need or to try a product before buying it.

2.1.2 Rent-To-Own: Advantages and Disadvantages

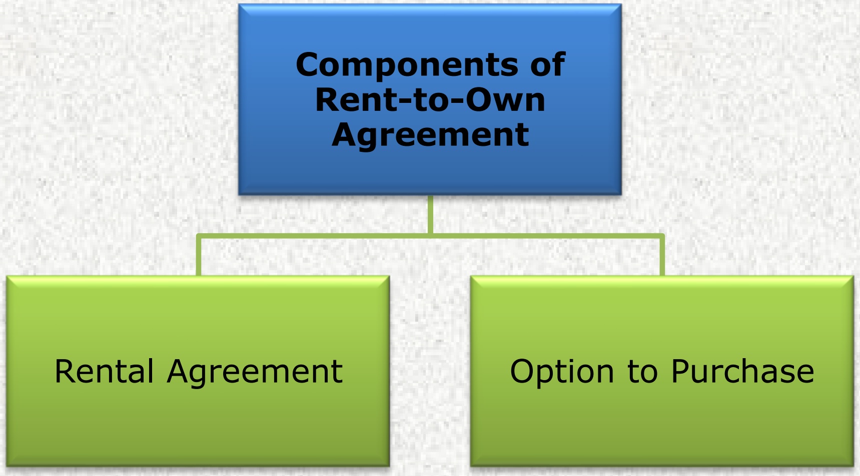
Table 1: Rent-to-Own Advantages & Disadvantages

Advantages	Disadvantages
Rent-to-own properties are also the ultimate option for buyers or tenants who are unable to qualify for home loans due to poor credit scores. They can utilize the period of their rent-stay to arrange for finances or rectify their credit scores.	Rent-to-own tends to be a costlier proposition initially because apart from the monthly rent, the tenant will be required to pay an additional amount of money which will go towards the down payment.
For buyers who love to wait and watch before finalizing on a property, rent-to-own option proves to be an ideal choice. It does not restrict them to just one option and gives the flexibility in choosing the right home.	Breaching a rent -to-own contract could lead to legal troubles for the buyer.
Buyers, under rent-to-own schemes, have the advantage of experiencing community living and judge if the apartment matches their lifestyle, before taking the plunge.	The selling price of the property specified in the agreement is fixed. Also, as per the contract, he will be required to make a non-refundable deposit to the property owner. So, a tenant who wishes to purchase the apartment expecting a reasonable rate owing to fall in market prices is set for disappointment as he would be bound to pay the predetermined amount.

Source: Daedal Research

2.1.3 Components of the Rent-To-Own Agreement

Figure 1: Components of Rent-to-Own Agreement



Source: Daedal Research

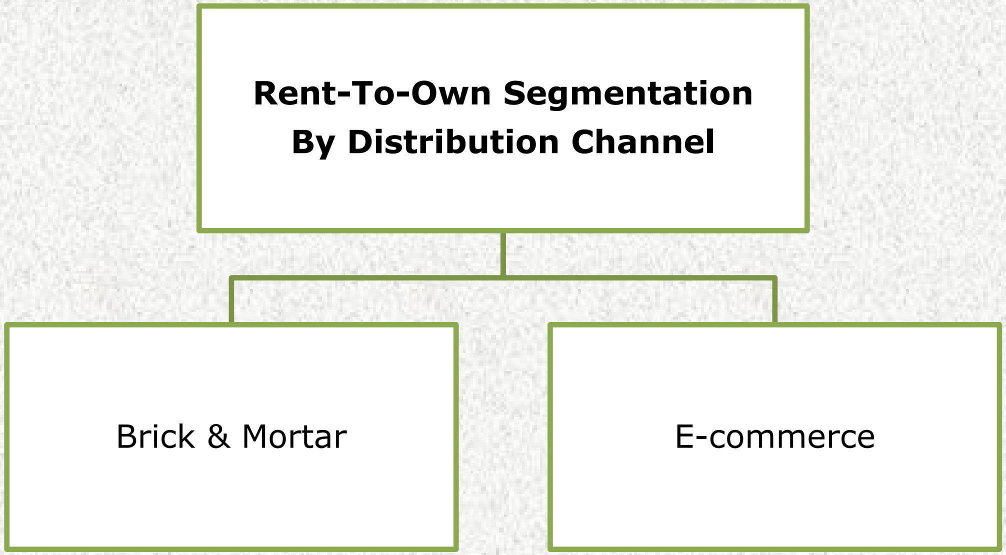
A rent-to-own agreement is made up of two agreements: a standard lease agreement, and an option to purchase; these may be incorporated in one document or two separate documents.

- **The Lease or Rental Agreement:** In a rent-to-own agreement the title of the goods remains with the landlord until the consumer exercise his/her option and purchase the property. The underlying agreement in a rent-to-own arrangement is therefore identical to a regular lease agreement including terms such as the duration of the lease period, the amount of rent to be paid, and repair and maintenance responsibilities of seller and buyer.
- **The Option to Purchase:** The option to purchase grants the buyer an option to buy the rental good/property within a specified period of time in exchange for a fee that is usually paid up front/or in the form of higher-than-market rent. A tenant who does not exercise the option to purchase is not entitled to a refund of the option fee or any refund in rent.

2.2 Rent-To-Own Segmentation: An Overview

2.2.1 Rent-To-Own Segmentation

Figure 2: Rent-To-Own Segmentation



Source: Daedal Research

3. The US Market Analysis

3.1 The US Rent to Own Market: An Analysis

3.1.1 The US Rent to Own Market: An Overview

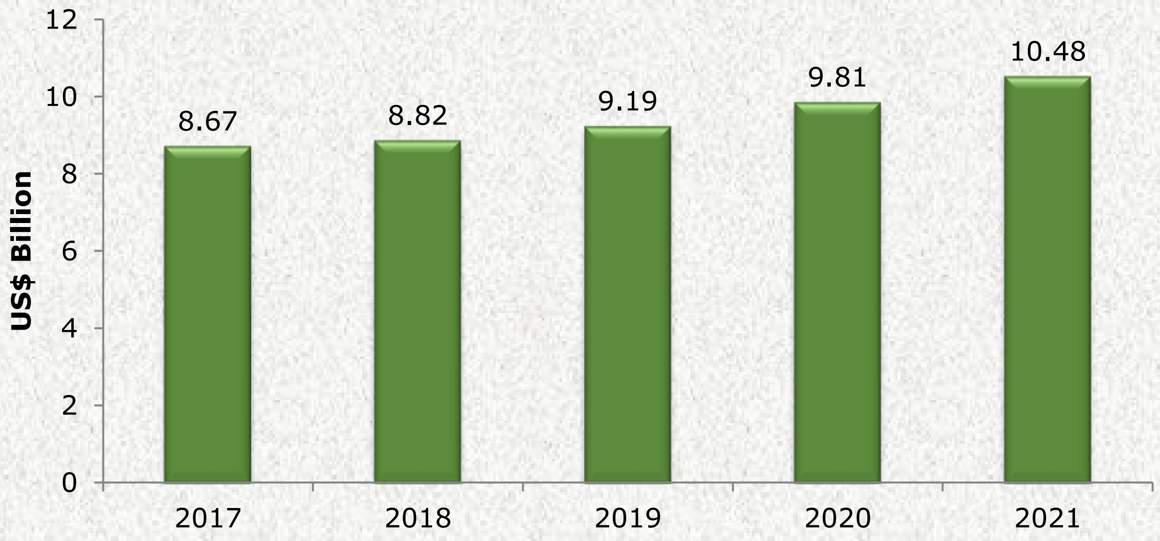
A rent-to-own (RTO) store allows customers to rent consumer goods, such as furniture, appliances, home electronics, and computers, by paying regular rental rates. Over the past few years rental rates have also increased among some groups that have traditionally been less likely to rent, including whites and middle-aged adults. The continuous rise in the demand for comfortable life, especially by middle class population, urged a rise in the number of stores in order to fulfill the increasing demand.

The US rent to own industry has shown significant growth rates over the past few years on account of increase in renting among millennial. The number of millennial population is on the rise in the US. The year 2020 has come up with the challenge of Covid-19. However, the rent to own industry in the country is expected to abide the impact of Covid-19 effectively through 2020. As the young adults become older and are becoming advance in their careers & income, they are becoming first-time home buyers, which positively impacted the US rent to own market. Other factors contributed in the growth of the market were rapid growth in the urbanization rate, rising income of the middle class population, improving GDP condition etc.

The rent to own industry is anticipated to showcase a positive outlook during the forecasted years as primary and subprime lenders would tighten credit measures. Furthermore, demand for essential products (appliances and computers) is increasing and would further intensify in the approaching times. Spike in E-commerce transactions would also bolster the growth of the market.

3.1.2 The US Rent to Own Market by Value

Figure 3: The US Rent to Own Market by Value; 2017-2021 (US$ Billion)

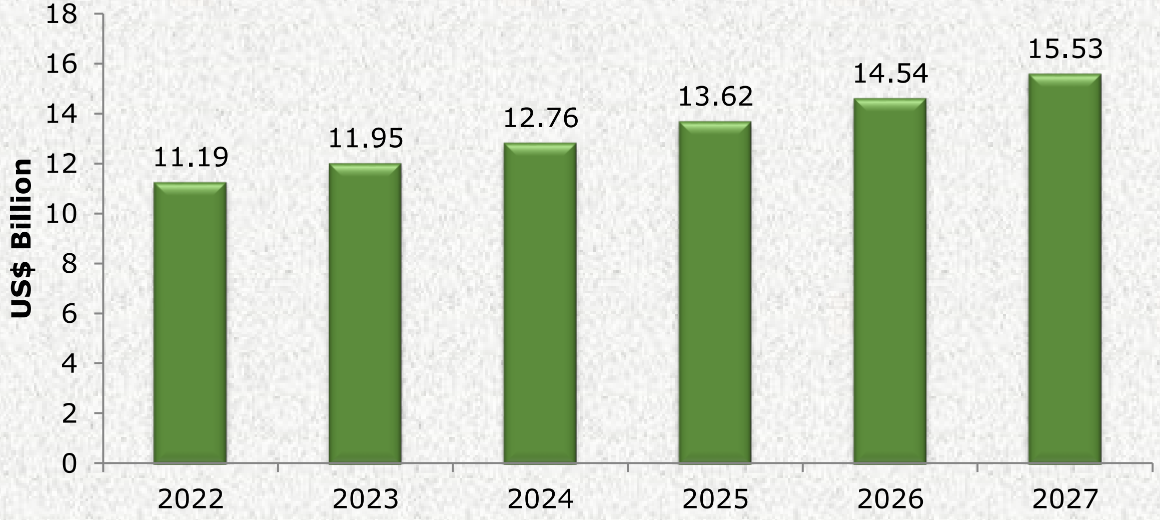


Source: Company Reports

The US rent to own market was valued at US$10.48 billion in 2021, increased from US$9.81 billion in 2020. The market grew at a CAGR of 4.85% in the past years, 2017-2021.

3.1.2 The US Rent to Own Market by Value

Figure 4: The US Rent to Own Market by Value; 2022-2027 (US$ Billion)

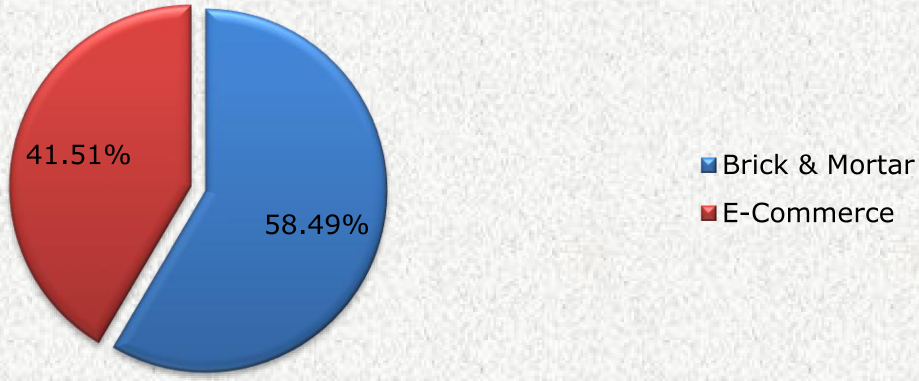


Source: Daedal Research

The US rent to own market is expected to grow from US$11.19 billion in 2022 to US$15.53 billion in 2027. During the forecasted years, 2022-2027, the market is expected to augment at a CAGR of 6.77%.

3.1.3 The US Rent to Own Market by Distribution Channel

Figure 5: The US Rent to Own Market by Distribution Channel; 2021 (Percentage, %)



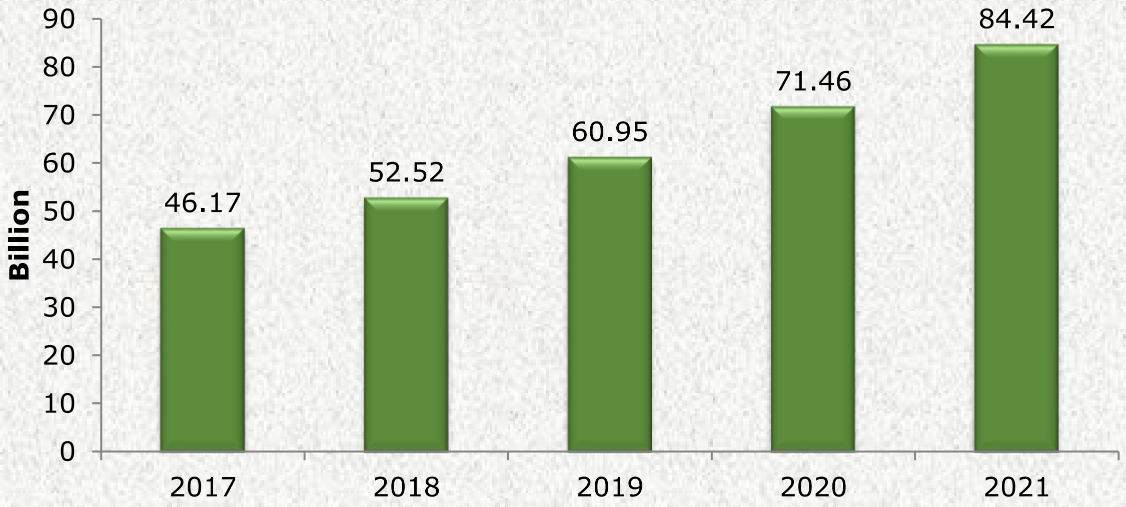
Source: Company Reports

On the basis of distribution channel, the US rent to own market can be divided into three segments namely, Brick & Mortar and E-commerce.

The Brick & Mortar segment held the major share of the US rent to own market i.e. 58.49% in 2021. Also, E-commerce accounted for the share of 41.51%, in 2021.

3.1.4 The US Rent to Own Market by Number of Stores

Figure 6: The US Rent to Own Market by Number of Stores; 2017-2021 (Billion)



Source: Daedal Research

The US rent to own market in terms of number of stores was valued at 84.42 billion in 2021, increased from 71.46 billion in 2020. The market augmented at a CAGR of 16.28% in the past years, 2017-2021.

3.2.1 The US Rent to Own Market by Distribution Channel : An Overview

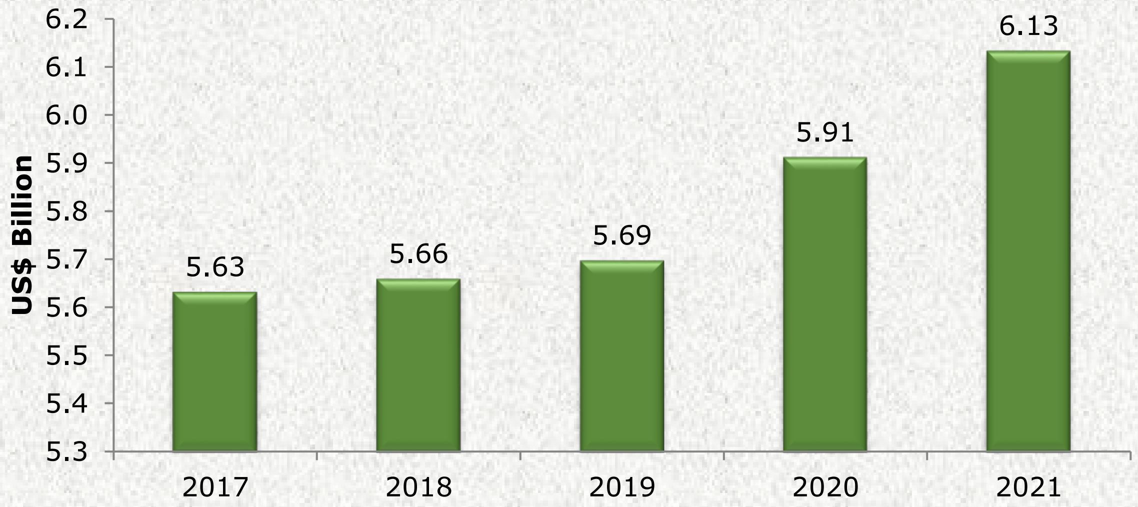
The US Rent to Own Market is segmented on the basis of distribution channel:

- **E-commerce**– Stay at home and social distancing orders have been imposed all across the US due to the outbreak of Covid-19. This in turn has led to more and more people preferring e-commerce channels for purchasing various things on lease. This trend is expected to continue into the years ahead due to rising smartphone penetration, internet connectivity, etc. Players like Rent A Center have recently reported doubling of ecommerce transaction.

- **Brick & Mortar -** There is little doubt that retailing has changed as a result of the COVID-19 outbreak. With physical businesses shuttered or restricted in access, their function was challenged because things were easily available on the internet and shoppers could just surf the web for merchandise. Customers might be easily reached by retailers and manufacturers equally. Customers had access to and a variety of options thanks to promotions available online, on social media, and through direct mail. The retail sector will not revert to "the good old days" in the post-pandemic world, which we are cautiously approaching, because new habits have evolved and shoppers are now aware of alternate ways to shop. All of this will usher in a new era of many innovative and fascinating formats, some of which are already evolving and being tested. Retailers of all sizes, from major chains to little shops, must, in my opinion, demonstrate that they are responding to a new buying mentality and developing an image that customers will admire.

3.2.2 The US Rent to Own Brick & Mortar Market by Value

Figure 7: The US Rent to Own Brick & Mortar by Value; 2017-2021 (US$ Billion)

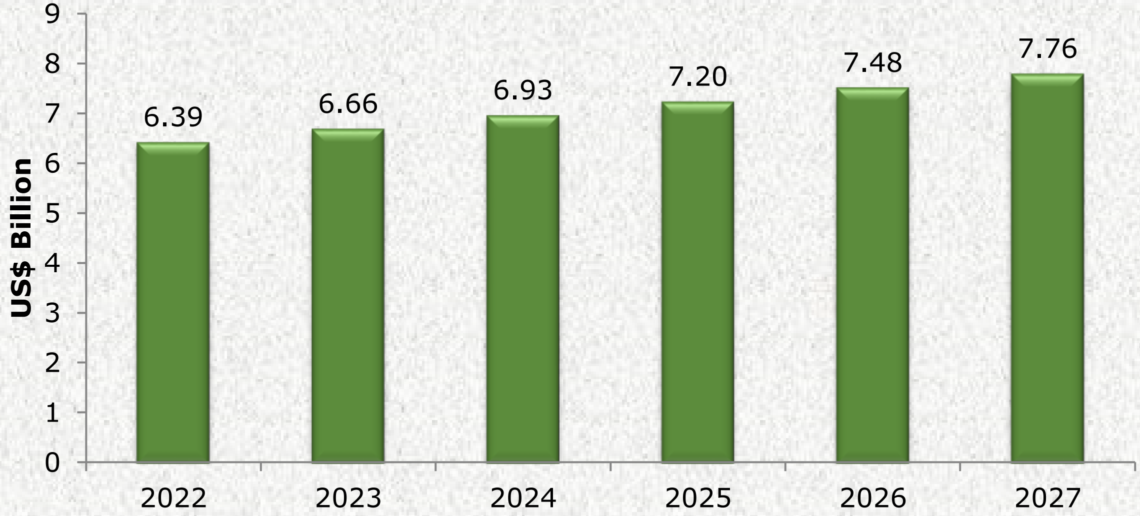


Source: Company Reports

The US rent to own brick & mortar market value stood at US$6.13 billion in 2021, increased from US$5.91 billion in 2020. The market appreciated at a CAGR of 2.15% in the past years, 2017-2021.

3.2.2 The US Rent to Own Brick & Mortar Market by Value

Figure 8: The US Rent to Own Brick & Mortar Market by Value; 2022 - 2027 (US$ Billion)

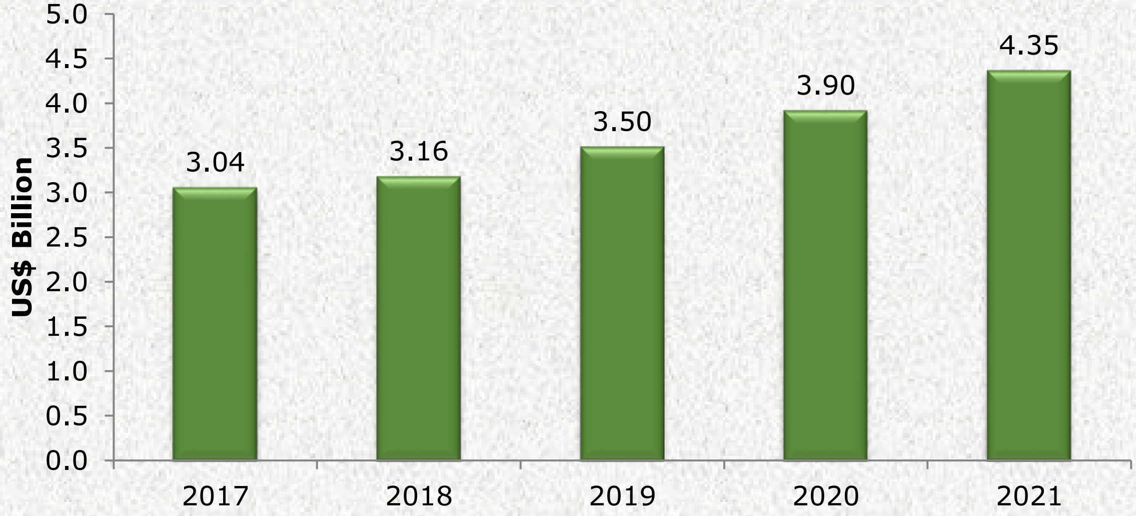


Source: Daedal Research

The US rent to own brick & mortar market is expected to grow from US$6.39 billion in 2022 to US$7.76 billion in 2027. The market is expected to grow at a CAGR of 3.96% over the forecasted period, 2022-2027.

3.2.3 The US Rent to Own E-commerce Market by Value

Figure 9: The US Rent to Own E-commerce Market by Value; 2017-2021 (US$ Billion)

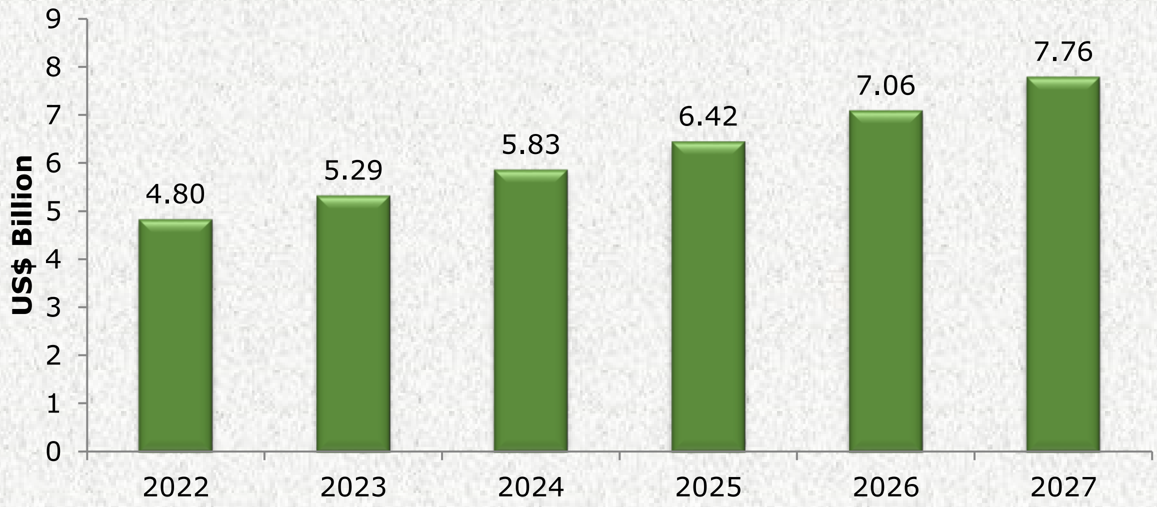


Source: Company Reports

The US rent to own e-commerce market value stood at US$4.35 billion in 2021, increased from US$3.90 billion in 2020. The market surged at a CAGR of 9.37% in the past years, 2017-2021.

3.2.3 The US Rent to Own E-commerce Market by Value

Figure 10: The US Rent to Own E-commerce Market by Value; 2022-2027 (US$ Billion)



Source: Daedal Research

The US rent to own e-commerce market is expected to grow from US$4.80 billion in 2022 to US$7.76 billion in 2027. The market is expected to grow at a CAGR of 10.08% over the forecasted period, 2022-2027.

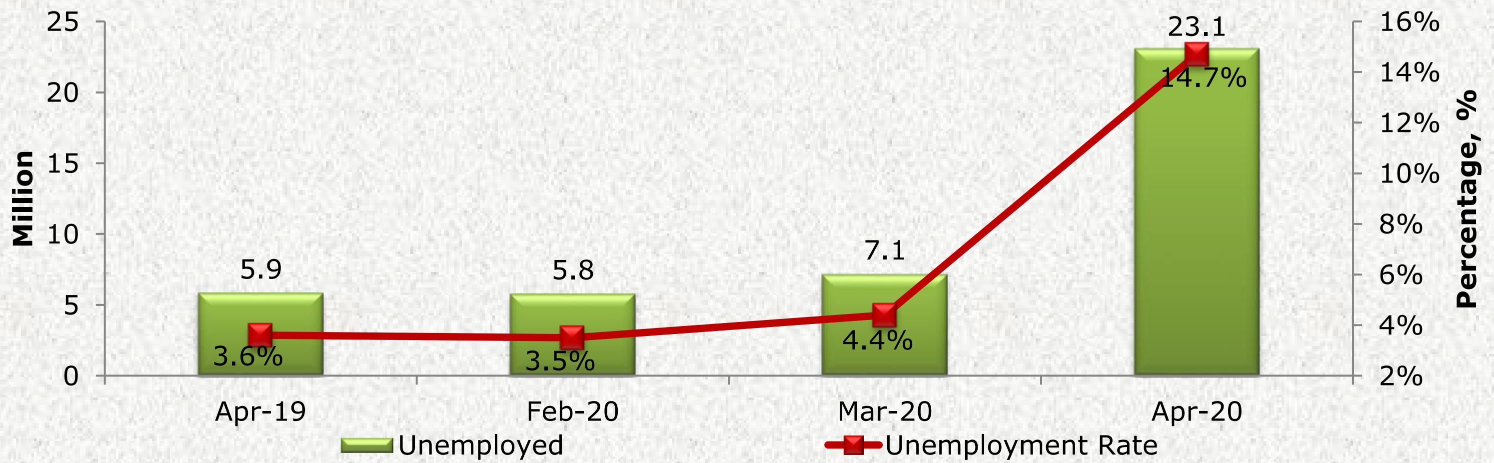
4. Impact of COVID-19

4.1.1 The Economic Effects of COVID-19

The COVID-19 pandemic which had forced the world into a virtual lockdown, is extensively creating a devastating impact on the US economy, and raising the death toll sharply. The virus is believed to have infected millions of citizens and had killed approximately 1,049,995 people in the US. New York, New Jersey, Massachusetts and Michigan are the hardest-hit states in the US.

The economic impact of the coronavirus pandemic can be felt by almost each and every sector, as the US has seen historic declines in business activity and consumer confidence. Since the pandemic took hold, the unemployment rate has been increasing at a rapid pace, causing tremendous human and economic hardship across the US. The pandemic is affecting every aspect of the business, including customer demand, production continuity and supply chain stability.

Figure 11: The US Number of Unemployed Persons & Unemployment Rate; April 2019-April 2020 (Million & Percentage, %)



Source: Bureau of Labor Statistics (April 2020)

In April 2020, the unemployment rate surged to 14.7%, in comparison with 3.6% in April 2019. The number of unemployed persons rose to 23.1 million in April 2020. The sharp increase reflects the effects of coronavirus pandemic and efforts to contain it.

4.1.2 Response of Industry Players to COVID-19

Company Name: Rent A Center

A bulk of Rent-A-Center stores have been operational and proactively assisting customers during the unprecedented crisis. As a matter of fact, about 75% are completely operational and about one-fourth are operating with a closed off showroom. Only a handful of stores are those that have closed down completely. Demand for essential products such as appliances and computers has jacked up considerably. On the other hand, Rent-A-Center has reported that its ecommerce transaction flow has become more than twice which in turn has somewhat compensated for the reduced activity due to stay at home orders.

Although many of its preferred lease retail (the company's rent-to-own solution for consumers who fail to qualify from traditional retailer), the preferred lease customers have been able to continue to make payments online or over phone.

Reported Impact on Revenue

- Revenues in March 2020, were down by 5% compared to last year. This happened because of implementation of national efforts to contain the COVID-19 virus. As compared to the business model of traditional household durable goods retailers, company's recurring revenue stream resulted in total revenue for the first quarter increasing versus the 2020 same period an year ago. Moreover, it expects revenues to decline by less than 10% in second quarter 2020 driven by lower demand from closed locations.
- Rent-A-Center reported decline in sales due to stay at home orders, but also informed that sales are gradually stabilizing. Offsetting some of the pressure on revenue and collections, customers are expected to benefit from the US government's CARES Act.
- In addition to this, nearly 70% of customers in Rent-A-Center and Preferred Lease businesses have the Benefits Plus program. The program facilitates eligible but unemployed customers to keep their merchandise during this difficult time, with the company being reimbursed by up to US$1,000 for rental payments.

The company is of the view that while the near term would remain challenging and impacted by uncontrollable events. In the medium to long-term, it expects trend to benefit the rent-to-own industry as primary and sub-prime lenders tighten credit measures.

4.1 Impact of COVID-19

Company Name: Aaron Inc.

Another major player in the RTO market is Aaron Inc. Like, Rent-A-Center it is also taking proactive measures shield its business from negative impacts of COVID-19.

Over the past several weeks, it is aggressively adapting its business in reaction to the ongoing COVID-19 pandemic. At the same time, it is also adhering to the guidelines of local, state and federal authorities. Its business segments have taken following key actions:

Progressive Leasing

- Progressive is providing persistent backing to its retail partners. For this reason, it has adapted to the needs of those who remain open for business
- Progressive's customer support, merchant support, and customer payment assistance associates have been transitioned to work from home with all operations functioning remotely
- Nearly all Progressive executive and support associates are working from home and continue to provide support to the business

The Aaron's Business

- Except where otherwise directed by governmental authorities, Aaron's Business is inclining towards e-commerce and curbside service only for all its corporate stores until further notice. Curbside services consist of order processing, merchandise pickup, returns and payments.
- The Aaron's Business will continue to deliver orders to customers' homes. Deliveries are being made to the customer's door and all in-home installation services stand suspended.
- Nearly all Aaron's Business executives and support associates are working from home and continue to support the business.

4.1 Impact of COVID-19

Company Name: FlexShopper Inc.

FlexShopper, a US based online lease-to-own retailer and LTO payment solution provider has reported the impact of Covid-19 on its businesses for first quarter 2020.

Impact on Revenue

- **Growth in originations and net revenues:** It experienced growth on two fronts namely gross lease originations and net revenues in the first quarter of 2020. However, the pace of growth toned down later in the quarter due to slowdown in economic activity as a result of the Covid-19 outbreak.
- **Strong Payments activity.** As of March 31, 2020, FlexShopper had not seen a material decline in payments activity by its customers. FlexShopper is monitoring payments on a weekly basis. It plans to do modifications to its marketing and underwriting guidelines as per requirements.
- **Delay in B to B to C channel rollouts :** Previously-planned pilot programs with new retail partners that were originally scheduled to take place in late Q1 and Q2 2020 have been put on the back burner. FlexShopper is in close touch with all its retail partners. It is committed to move ahead with the launch of pilot programs as soon as the situation allows.

The company’s online lease-to-own platform is fully operational and is an essential shopping option for the people. The customers can shop from convenience of home and adhere to ‘stay at home’ restrictions simultaneously. Online rent-to-own platforms have become all the more important in these times of Covid-19 crisis.

Company Name: goeasy Ltd.

During the global pandemic, the company witnessed immense transformation for businesses, communities, and the world at large. The company have stood by the customers during their greatest time of need, while keeping over 2,000 employees safe, healthy and fully employed.

The Company Managed Business Operation by Changing Working Pattern:

- **Adoption of Digital Platform:** As the effects of the pandemic resulted in stay-at-home orders, we were able to quickly pivot to serving customers over the phone and through our digital channels. Even when our stores and branches were closed to the public, both easyhome and easyfinancial continued to be fully operational offering leasing and lending services remotely so that our customers could continue to get access to the financial products and services they needed.
- **Implementation of Loan Protection Plan:** Through the enhanced customer assistance program, the company was able to provide customers with relief options, including payment deferrals and term extensions for those that were facing financial hardships. In addition, for the customers that purchased the optional loan protection plan, the company quickly created a digital claims portal to facilitate a simple and easy transaction for those looking to make a claim

4.1.3 Post COVID-19 Scenario

While virtual tours were not a novelty when the pandemic hit, they reached new heights in 2020. Due to restrictions, tenants were forced to search for rentals offering virtual tours, and Statista notes that around 31.5% of survey respondents acknowledged they used them more often than usual when hunting for a new home in 2020. Many became aware that it's a convenient way to begin their acquaintance with a prospective apartment.

Property managers and real estate agents should turn their attention to creating virtual tours straight away if they don't yet use this technology. Soon enough, tenants will expect to see them attached to every property ad, and having a virtual tour will become not just an advantage but a necessity.

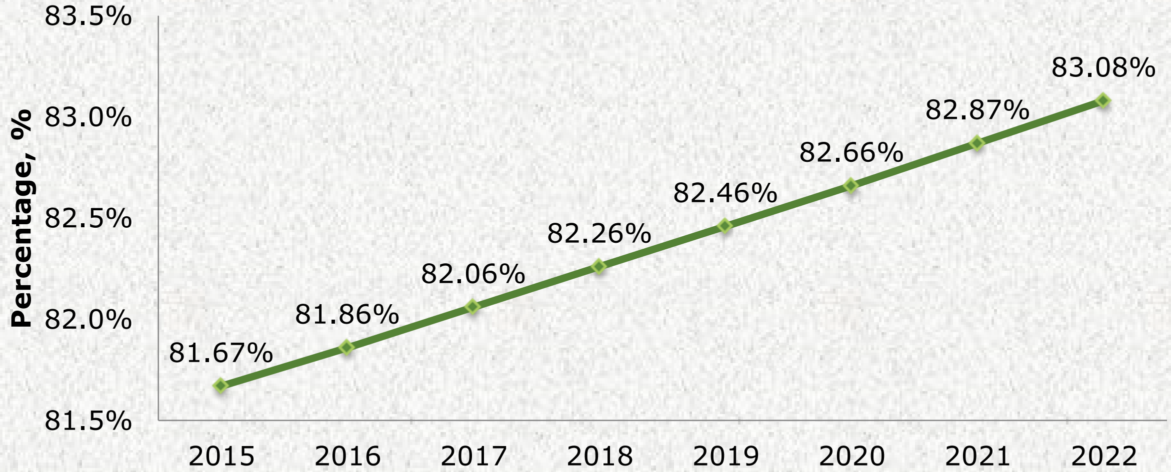
In addition to virtual tours, both tenants and landlords have gladly (although involuntarily) adopted other tools that let them conduct rental tasks online to minimize face-to-face contact. Just as with virtual tours, solutions offered by PropTech companies are here to stay. In fact, we believe in their future so strongly, Rentberry's main goal is to offer both parties a fully digital renting experience. Property managers and renters all around the country had the opportunity to evaluate the benefits of dealing with rental tasks online. Thanks to modern technology, renters can apply for a rental, sign their lease and pay their rent over their phones or laptops, saving time and introducing convenience. For property managers and landlords, these innovations allow them to streamline the entire rental process and provide them with more freedom.

For these digital nomads, mid-term rental periods lasting from three months to a year would be the most feasible option. It would allow renters to live in a given city for a longer period of time and experience it as locals do without long-term commitments to a certain location or property. Renting is not going anywhere. In fact, it is likely that mortgage rates will increase as the situation in the housing market stabilizes, and house prices will continue to rise. These factors ensure the strong need for rentals in the foreseeable future.

5. Market Dynamics

5.1.1 Spike in Urbanization

Figure 12: The US Urban Population; 2015-2022 (Percentage, %)



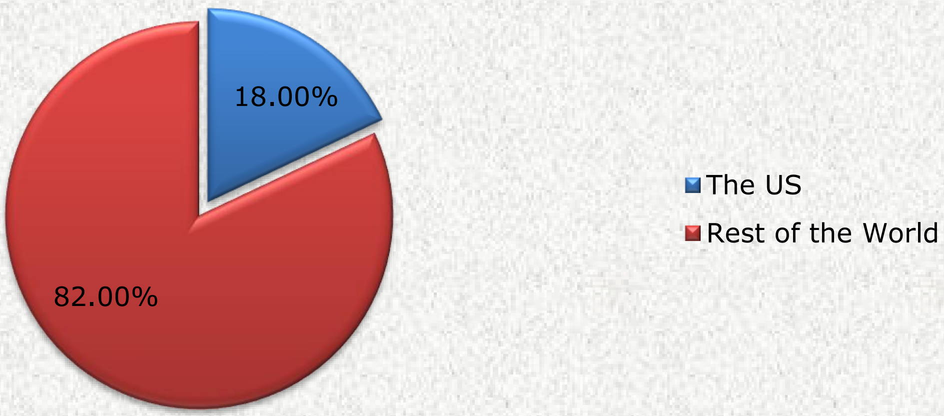
Source: knoema.com [Note: Data includes the US urban population as a percentage of total population]

The urban population is growing due to the migration of people from rural to urban, due to better employment opportunities, better education, rapid infrastructure development, industrialization, advanced medical facilities, need for better housing and better lifestyle. In the US, urbanization share has increased over the past few years, from 82.87% in 2021 to 83.08% in 2022.

Eventually, the rising urban population resulted in a positive influence on rent-to-own market. Consumers find it more stress-free and convenient way to use rent-to-own services instead of buying the products as there is the possibility of shifting to different locations for different reasons. This in turn supported the growth of the market through the historic period.

5.1.2 Significant Population of International Migrants

Figure 13: The US Percentage of International Migrants ; 2020 (Percentage, %)



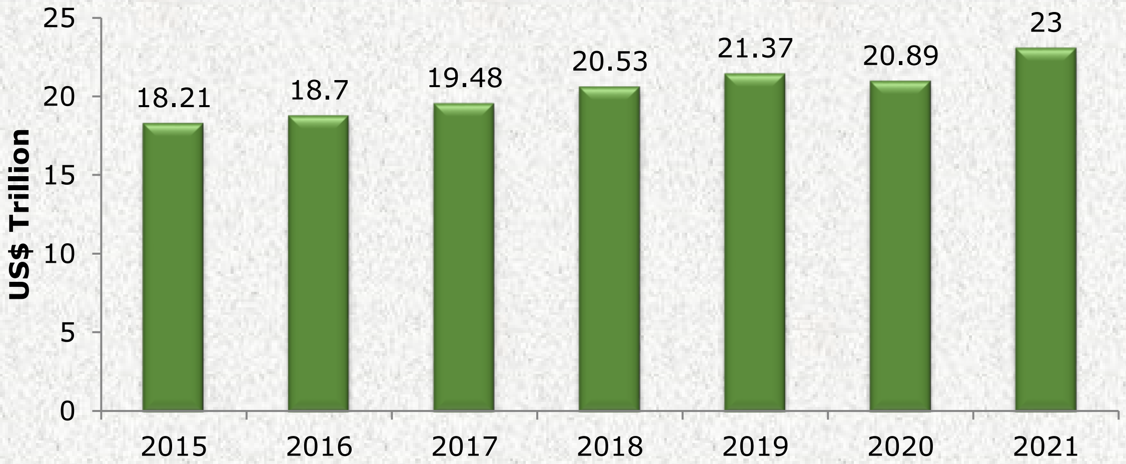
Source: United Nations Department of Economic and Social Affairs

In 2020, about half of all international migrants resided in just 10 countries, with the US hosting the largest number of international migrants (51 million). This was equal to 18% of the world's total international migrants. Better employment and education opportunities has been a catalyst for migration of people from other countries into the US.

The immigrant population does not want to spend money on purchasing permanent home and other major accessories because of rotating nature of their job or some other reasons as well. Therefore, they have been preferring to rent homes and other major household items such as furniture from rent to own providers. And, in case they want to reside permanently, they pay monthly installments and finally posses the ownership. The high number of international migrants in the country has been a crucial driver for the RTO market in the country over the last decade or so.

5.1.3 Surging GDP Growth

Figure 14: The US GDP; 2015-2021 (US$ Trillion)



Source: World Bank

GDP is stated as the combined value of the good produced by all the people and companies irrespective of domestic or foreign owned companies present in the country. The GDP makes a great influence on individual's budget, investments and job growth in the market. Improving GDP rate of the US is one the key drivers for rent-to-own market. Growth of the US rent-to-own industry directly correlates with the improving economic conditions.

The US GDP was US$20.89 trillion in 2020, increased to US$23 trillion in 2021. The improving GDP increased the job opportunities that lead to the migration of people into the country. The migrated people opt to rent out options for necessities, which in turn has acted as tailwind for growth in the rent-to-own-market in the past decade.

5.1.4 Rising Disposable Income

Figure 15: The US Disposable Personal Income; 2016-2021 (US$ Trillion)

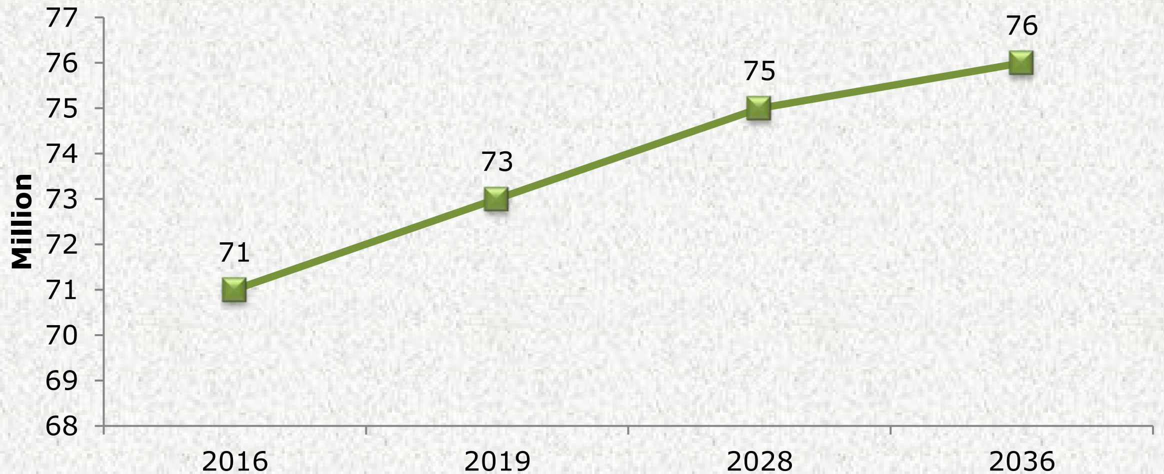
Source: Statista

The disposable income is the total amount of household income that is available for spending and saving after payment of income taxes. The US disposable income in 2021 was US$16.02 trillion, incline from US$15.67 trillion in 2020.

The rise in disposable income raises demand and supply for different sectors in the market like real estate, homecare products, etc. In addition, solid economic growth is encouraging new household formation, and rentals are capturing a sizable share of the resulting housing demand. At the same time, increasing number of migrants and millennials in the region are also raising demand for rented home.

5.1.5 Growing Millennial Population

Figure 16: The US Millennial Population; 2016-2036 (Million)



Source: Pew Research Center Tabulations of the US Census Bureau Population Estimates [Note: Millennials refer to the population ages 20 to 35]

Demand for rental housing has grown at an exceptional pace for more than a decade. In the US, with improving average income of the household, rise in millennial population, the share of rental housing also observed growth from past years. The US millennial population reached at 73 million in 2019, increased from 71 million in 2016. The millennial population is further expected to increase to 76 million by 2036. Millennials are now the largest living generation in the US.

While many Americans ultimately plan on buying a house or an apartment, renting a home in the USA is much more common for millennials and expat (ranging from different city/town to different country). Usually, renters tend to be younger, with a median age of 40 compared with age of 56 for homeowners. In a nutshell, growth in the rental housing by millennials has boosted the demand for rental apartments in the US region, which had consequently escalated the overall rent-to-own industry.

5.1.6 Rising Virtual Rent-to-Own Market

The rent-to-own industry has experienced steady growth since 2015. The industry has underwent rapid change with the coming up of virtual and kiosk-based operations at retail partner locations, such as Preferred Lease offering of Rent A Center. It consists of staffed kiosks at retail partner locations options, un-manned or virtual lease-to-own options, or a combination of the two (the hybrid model).

The preferred lease offering of Rent A Center includes the operations of the recently acquired Merchants Preferred, that provides lease-to-own transaction to consumers who are not eligible for financing from the conventional vendor via kiosks positioned within such retailer's locations, encompassing staffed options, un-manned or virtual options. A combination of the two (the hybrid model) is also available. Those kiosks can be staffed by an Preferred Lease employee (staffed locations) or employ a virtual solution where customers, either directly or with the assistance of a representative of the third-party retailer, initiate the lease-to-own transaction online in the retailers' locations using our virtual solutions (virtual locations)

These new industry participants have increased the overall acceptability of rent to own transactions among people. This in turn has supported the growth of the market

5.2 Challenges

5.2.1 Dependency on Vendors, Suppliers and Products

Company's rely on the receipt of information from third party data vendors, and inaccuracies in or delay in receiving such information, or the termination of company's relationships with such vendors, could have a material adverse effect on the business, operating results and financial condition.

Additionally, allegations of or actual product safety and quality control issues, including product recalls, could harm company's reputation, divert resources, reduce sales and increase costs. Furthermore, If the company are unable to successfully appeal to and engage with the target consumers, the business and financial performance may be materially and adversely affected.

5.2.2 Lack of Customer Security

Rent-to-own facilities is tailed by various issues such as lack of customer security. For example, a lease-option is accompanied by similar risks for tenants/buyers as a traditional mortgage, excluding the benefit of potential recovery.

If the leaseholder fails on his rent payments, the holder gradually loses the property exactly like the holder would otherwise lose his home to foreclosure by failing to keep up their mortgage payments. Unlike a foreclosure, the occupant lacks the legal options to recover his investment i.e. the holder cannot sell the property, as they do not yet own it. The landlord is responsible for full ownership of the property, irrespective of the deadline status of the tenant, and the tenant essentially forfeits any additional money funded toward the eventual down payment on the home. This restrains the tenant to get into an agreement and that correspondingly hampers the market growth.

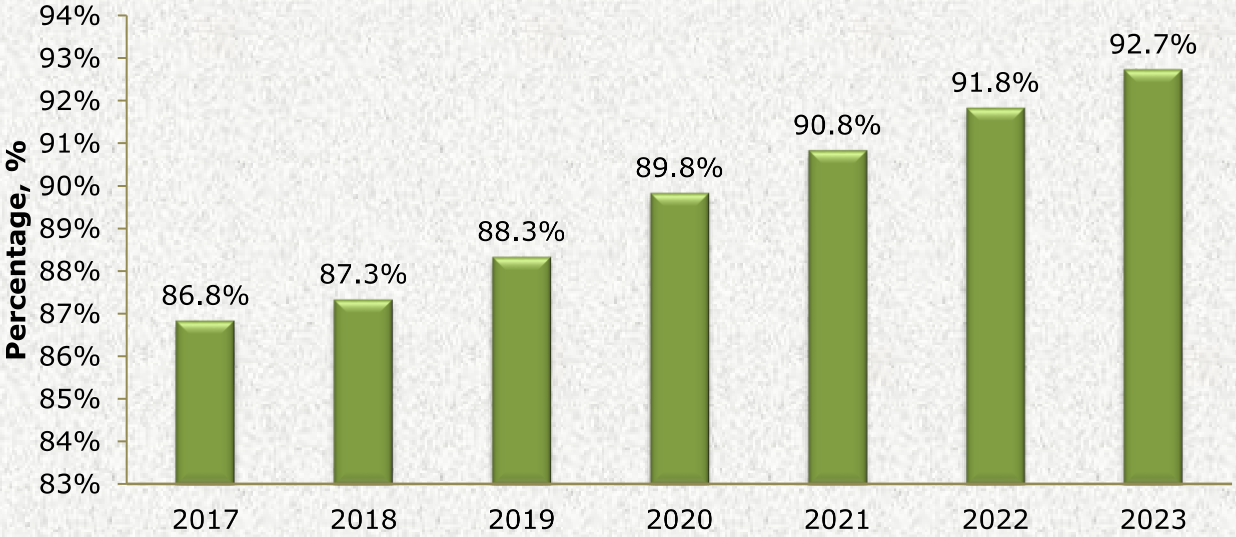
5.2.3 Low Profit Margin

The companies engaged in providing rent to own services in the U.S. have generally low profit margin. In the U.S retail industry, more than 50% of companies are considered as competitors of the rent to own industry and mostly generate more profit as compared to the top players of rent-to-own industry.

The performance of the rent-to-own firms estimated to stand roughly in the middle of the performance rating across several industries. And the companies that could be considered competitors perform significantly better than the rent-to-own companies Companies like Home Depot, and Bed, Bath & Beyond are capable to generate more profit as compared to the top market players of the rent to own industry such as Aaron’s Inc, and Rent-A-Center. Therefore, the low profit margin indicates a low margin of safety; and a higher risk that decline in sales would erase profits and result in a net loss, or a negative margin and thus impedes the growth of the company as well as of the industry.

5.3.1 Hike in Internet Penetration

Figure 17: The US Internet Penetration Rate; 2017-2023 (Percentage, %)

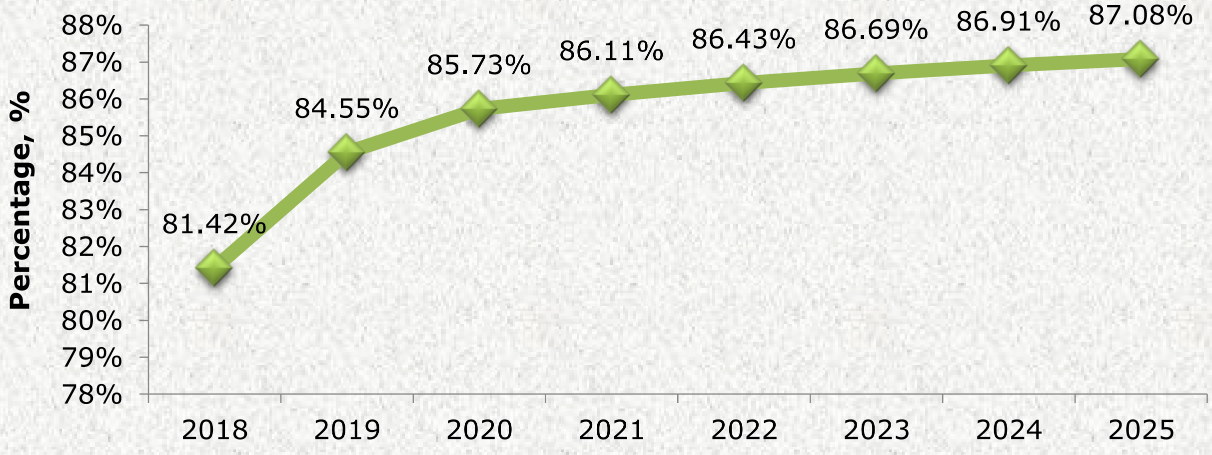


Source: Statista

The internet is one of the major phenomena of the century. With increasing use of internet in all phases of life, people have been able to reach and compare many products and knowledge on various industries provided on internet. This opportunity is seized by many rent-to-own companies and they are now providing all the information regarding the new launched services and existing services on the internet. Internet penetration rate in the US is growing rapidly over the past few years. In 2020, in the US 89.8% of the US population accessed internet, up from 88.3% in 2019. It is anticipated that the Internet penetration would rise to 92.7% by 2023. Internet helps in reduction of search cost and provide the consumers to have a low-cost online evaluation thus driving the online rental volume and sales. Despite of fall in the major economies of the world, online spending remains constant in most of the markets especially in rent-to-own business.

5.3.2 Rollout of Smartphone as New Category

Figure 18: The US Smartphone User Penetration; 2018-2025 (Percentage, %)



Source: Company Reports

In the current era, smartphones have emerged as the biggest value and volume sales driver. Smartphones provides many features such as shopping online, e-banking, health manager, reminders, news alerts, satellite maps, online services etc. which persuade people to buy the latest version of android phones. In the US, penetration rate of smartphone users was 86.11% in 2021, which is expected to reach 87.08% by 2025.

Everyone is not able to purchase the latest and top-modeled branded smartphones. In such conditions, rental smartphones are the best option. The rollout of smartphones adds a new category to the core business by major players of the US rent-to-own industry like Aaron's Inc. and Rent-A-Center. The top models of smartphones are easily available with these companies on simple weekly/monthly payment with an option to buy.

5.3.3 Rapid Pace in Technological Advancements

Technology is the base for usually all types of industries and with different invention coming due to growth demand, many industries are expected to gain benefit in different ways. The pace of technological advancements has increased rapidly due to increasing internet uses and digital communication making the ecosystem faster and considerably reduced. In the US, consumer of rent-to-own industry want to use the advanced technology. In-home service market, new platforms for marketing is extending the reach of many companies, whereas new improved software and programs are providing the companies new opportunities for upgrading their services, for instance, better query solving system, proper and simplified booking system, tracking the status of customer service, etc.

6. Competitive Landscape

Daedal Research

6.1 The US Rent to Own Market Players Comparison

Table 2: The US Rent to Own Market Players Comparison; 2019

	Progressive (Aaron)	**Acceptance Now (RCII)**	**FlexShopper (FPAY)**	**Zibby (Private)**
Payment Offering	Lease-to-Own	Lease-to-Own	Lease-to-Own	Lease-to-Own
Core Channels	Online and In-Store (unstaffed)	In-store/ kiosk (staffed)	Online Marketplace	Online and In-Store (unstaffed)
Number of Retail Doors	20,000	1100	755	Na
Lease Term	12 months (Average)	15 months (Average)	12 months (Average)	12-18 months
Largest Product Category	Furniture	Furniture and Accessories	Electronics	Na
Key Retail Partners	Big Lots, Conn's. Signet, BestBuy, Overstock.com	Ashley, Furniture, Rooms To Go, Bob's Discount Furniture	Dropship partners w/Walmart, Amazon,Overstock, Serta	Wayfair, Lenovo, P.C. Richard

Source: Company Filings

6.2 The US Rent to Own Market Players by Number of Stores

Table 3: The US Rent to Own Market Players by Number of Stores; 2021

	Rent-A-Center Inc.	**Aaron's Inc.**	**goeasy Ltd.**
Total Number of Stores	1844	1,074	124
Franchise Stores	466	236	34

Source: Company Reports [Note: Data included as of December 31, 2021]

The US rent to own market eminent players as per the number of stores are Rent-A-Center Inc., Aaron's Inc., and goeasy Ltd.

As of 31 December 2021, Rent-A-Center operated 1844 stores, including company-owned stores in the US and Puerto Rico. Aaron's Inc. operated 1074 stores, comprised company-operated stores in 42 states and Canada, and 248 independently owned franchised stores in 37 states, Canada and Puerto Rico. Whereas, goeasy ltd. operated 427 stores (including 34 franchises and one consolidated franchise location).

7. Company Profiles

7.1 Rent-A-Center Inc.

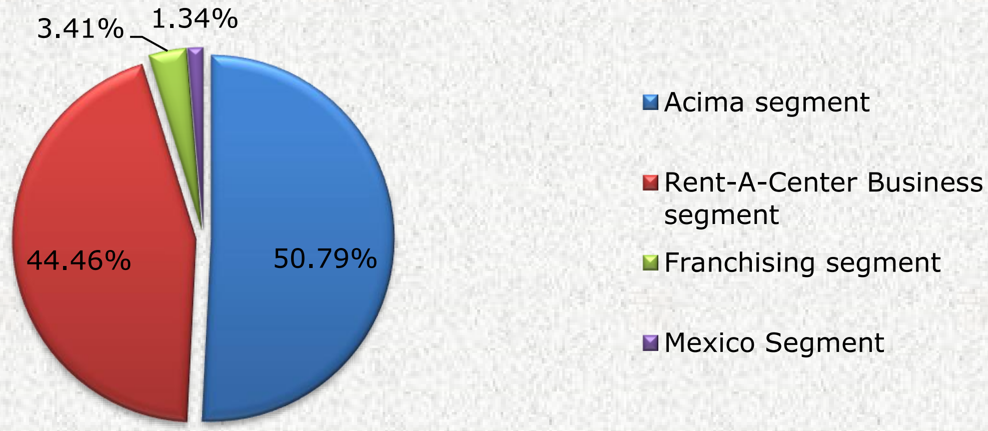
7.1.1 Business Overview

Rent-A-Center, Inc., incorporated in 1986, as a rent-to-own operator in North America. The company's primary focus on improving the quality of life for 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. The company provides an opportunity to obtain ownership of products, such as consumer electronics, appliances, computers (including tablets), smartphones and furniture (including accessories), under rental purchase agreements.

The company operates in four segments: Rent a center, preferred lease, Mexico and Franchising. The company Rent a center and Mexico segments generally offer merchandise from five basic product categories: consumer electronics, appliances, computers (including tablets), smartphones and furniture (including accessories). Consumer electronic products offered by the company stores include high definition televisions, home theater systems, video game consoles and stereos. Appliances include refrigerators, freezers, washing machines, dryers and ranges. The company offers desktop, laptop, tablet computers and smartphones. The company furniture products include dining room, living room and bedroom furniture featuring a number of styles, materials and colors. The company accessories include lamps and tables, and are rented as part of a package of items, such as a complete room of furniture.

7.1.2 Operating Segments

Figure 19: Rent-A-Center Inc. Revenue by Segments; 2021 (Percentage, %)



Source: Company Reports

The revenue of the company includes Acima segment, Rent-A-Center Business segment, Franchising segment, and Mexico segment.

- ❖ Acima segment accounted for maximum share of 50.79% in the company's revenue in 2021.
- ❖ Rent-A-Center business segment held a share of 44.46%, followed by franchising segment with a share of 3.41%.
- ❖ And, the remaining share of 1.34% was being captured by Mexico segment.

7.1.3 Business Strategy

Rent-A-Center Opened Store In Riverdale, Georgia

On August 9, 2022, Rent-A-Center Store Manager Elgin Copeland and his sales team had been pleased to offer the residents of Riverdale an option when it comes to acquiring ownership of high-quality furniture, appliances, electronics and computers. The new Rent-A-Center store is located at 7169-A Highway 85 in Riverdale. To welcome Rent-A-Center to their new neighborhood, members of the Riverdale community had been invited to attend a grand opening celebration and ribbon cutting ceremony on Aug. 13. The public had the opportunity to shop the store’s merchandise during the grand opening event.

Rent-A-Center Opened Store In New York, New York

On August 8, 2022, Rent-A-Center Store Manager, Monica Inoa, and her sales team had been pleased to offer the residents of New York an option when it comes to acquiring ownership of high-quality furniture, appliances, electronics and computers. The new Rent-A-Center store is located at 558 W 181st Street in the Washington Heights neighborhood of New York. To welcome Rent-A-Center to their new neighborhood, members of the New York community had been invited to attend a grand opening celebration and ribbon cutting ceremony on Friday, Aug. 12. The public had the opportunity to shop the store’s merchandise during the grand opening event.

7.2.1 Business Overview

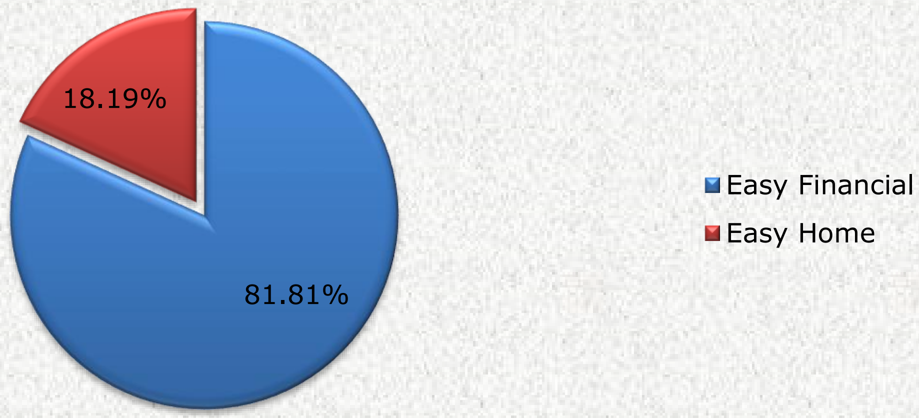
goeasy Ltd. is a Canada-based full-service provider of goods and alternative financial services founded in 1990. The company is engaged in providing loans and other financial services to consumers, and leasing household products to consumers. The company operates in the US through its subsidiary named easyhome U.S Ltd.

The company operates in two segments: easyfinancial and easyhome. Both enable customers to transact through an Omni-channel model. The company operates approximately 200 easyfinancial locations and over 180 easyhome stores.

- The easyfinancial segment offers unsecured and real estate secured installment loans, and secured saving loans; loan protection plans; and an optional home and auto benefits product, which provides road side assistance and support services, as well as credit monitoring services.
- The easyhome segment consists of four product categories: furniture, electronics, computers and appliances, which are offered under weekly or monthly leasing agreements. Easyhome operates through both corporately owned stores located across Canada and through a network of franchised locations.

7.2.2 Operating Segments

Figure 20: goeasy Ltd. Revenue by Segments; 2021 (Percentage, %)



Source: Company Reports

The revenue of the company includes Easy Financial, and Easy home.

❖ Easy Financial accounted for maximum share of 81.81% in the company’s revenue in 2021.

❖ And, the remaining share of 18.19% was being captured by Easy home.

7.2.3 Business Strategy

Goeasy Ltd. Announced US$500 Million Increase To Securitization Facility

On July 05, 2022, goeasy Ltd., one of Canada's non-prime consumer providers, announced a US$500 million increase to their existing revolving securitization warehouse facility (the "Securitization Facility"). The Company had increased their Securitization Facility from US$900 million to US$1.4 billion. Additionally, the amendment to the Securitization Facility incorporated key modifications including improved eligibility criteria for consumer loans, as well as pool concentration limits, resulting in increased funding capacity. The lending syndicate for the Securitization Facility continued to consist of National Bank Financial Markets, Bank of Montreal and Royal Bank of Canada, and the facility continues to bear interest on advances payable at the rate of 1-month Canadian Dollar Offered Rate ("CDOR") plus 185 bps. Based on the current 1-month CDOR rate of 2.23% as of June 30, 2022, the interest rate would be 4.08%. The Company would continue utilizing an interest rate swap agreement to generate fixed rate payments on the amounts drawn to assist in mitigating the impact of increases in interest rates. Proceeds from the Securitization Facility will be used for general corporate purposes, primarily funding the growth of the Company's consumer loan portfolio.

Goeasy Ltd. Announced Strategic Partnership & Investment In Canada Drives, Canada's Online Car Buying

On June 27, 2022, goeasy Ltd., one of Canada's non-prime consumer providers, announced that the company had entered into a strategic commercial partnership and agreed to make a minority equity investment of US$40 million, in Canada Drives ("Canada Drives"), Canada's online car shopping and to-your-door delivery platform. Through this new strategic partnership, goeasy's automotive and point-of-sale financing brand, LendCare, would become a preferred non-bank financing provider within Canada Drives' online automotive retail platform. Each year in Canada there are more than three million used vehicles sold, worth nearly $40 billion in sales volume. Canada Drives' innovative and industry leading platform enabled customers to shop, purchase, finance, and trade-in vehicles completely online, providing a superior customer experience from first click to delivery. Through the strategic commercial partnership, goeasy would provide automotive financing to a committed portion of the non-prime borrowers who purchase and finance a vehicle through Canada Drives platform. The partnership would help goeasy accelerate its plan to become the leading non-bank lender in the US$58 billion non-prime Canadian automotive finance market.

7.3 The Aaron's Company, Inc.

7.3.1 Business Overview

Aaron's, Inc. (Aaron's), is an Omni channel provider of lease-to-own (LTO) solutions. The company was founded in 1955 and is headquartered in the US. The company provides consumers with LTO and purchase solutions for the products, including furniture, appliances, electronics, computers and other products and accessories through the company-operated and franchised stores in the US, Canada and Puerto Rico, as well as through the electronic commerce platform, Aarons.com. The operations also include Woodhaven furniture industries (Woodhaven), which manufactures and supplies the bedding and upholstered furniture leased and sold through company's stores, including franchised stores. Company's electronic commerce platform, Aarons.com, offers end-to-end technology with on-line-to-doorstep capabilities, allowing customers to browse for merchandise, qualify for a lease, complete the lease transaction, and schedule delivery of the merchandise from any digital device.

On October 16, 2020, management of Aaron's, Inc. finalized the formation of a new holding company structure in anticipation of the separation and distribution transaction described below. Under the holding company structure, Aaron's, Inc. became a direct, wholly owned subsidiary of a newly formed company, Aaron's Holdings Company, Inc. Aaron's, Inc. thereafter was converted to a limited liability company (Aaron's, LLC). Upon completion of the holding company formation, Aaron's Holdings Company, Inc. became the publicly traded parent company of the Progressive Leasing, Aaron's Business, and Vive segments.

7.3.2 Business Strategy

The Aaron's Company Completed Acquisition Of Brandsmart the US.

On April 1, 2022, The Aaron's Company, Inc., a technology-enabled, omnichannel provider of lease-to-own and retail purchase solutions, announced the completion of their previously announced acquisition of BrandsMart U.S.A. ("BrandsMart") for US$230 million in cash plus customary closing adjustments.

Aaron's Reached Milestone With 100th "Gennext" Store Opening

On January 5, 2022, The Aaron's Company, Inc., a omnichannel provider of lease-purchase solutions, has reached a significant milestone in their nationwide rollout of the new GenNext concept with their 100th location opening in Largo, Fla.

7.4 Co-Ownership Organization

7.4.1 Business Overview

Co-Ownership is a shared ownership scheme that helps first time buyers and others to get on the property ladder. The company was founded in 1978. Buyers choose their own property up to the value of US$191251.50, anywhere in Northern Ireland. They buy a starter share in the value of their home between 50% to 90% and pay rent on the remaining share. Home buyers can then increase their share in the property at any time in part or in full to own their home outright, a process known as stair casing.

Co-Ownership Housing is Northern Ireland's expert and provider of shared ownership. So far the company have helped more than 30,000 households to purchase homes of their choice through shared ownership. The company is a registered housing association and industrial and provident society, regulated and funded by the Department for Communities. Co-Ownership Housing is governed by a board of management, made up of voluntary non-executive directors and has been running very successfully for 38 years.

7.4.2 Business Strategy

Co-ownership Announced New US$7.83 million Housing Initiative For Over 55s

On April 11, 2022, Co-Ownership had announced a new affordable housing initiative for people aged over 55 who want to move to a more suitable home that better meets their needs. The initiative is supported by Department for Communities which is providing £8m funding to Co-Ownership to pilot the new shared ownership product. Co-Ownership is the Department's main delivery partner for affordable shared ownership and already provides people with the opportunity to own their own home through its Co-Own and Rent to Own products. Co-Own for Over 55s is based on the existing shared ownership model, and is for people who want to move to a more suitable home that better meets their needs, but can't afford to do so on their own.

7.5.1 Business Overview

FlexShopper, Inc. is a holding company founded in 2003 and is headquartered in the US. The company, through FlexShopper, LLC (FlexShopper), is engaged in the business of providing certain types of durable goods to consumers on a lease-to-own basis and providing lease-to-own (LTO) terms to consumers of third-party retailers and e-tailers.

FlexShopper and company’s online LTO products provide consumers the ability to acquire durable goods, including electronics, computers and furniture on a payment, lease basis. Concurrently, FlexShopper's model provides e-tailers and retailers an opportunity to upturn their sales by utilizing FlexShopper's online channels to connect with consumers that want to acquire products on an LTO basis. FlexShopper processes LTO transactions using its LTO Engine. The LTO Engine is FlexShopper's technology that automates the process of consumers receiving spending limits and entering into leases for durable goods within a few minutes. FlexShopper owns two subsidiaries: FlexShopper 1, LLC and FlexShopper 2, LLC.

7.6.1 Business Overview

E-Z Rent to Own was established in 2001 by Richard Walker and his two business partners, Jason Doliwa and Chris Hale. The company provided name brand furniture, appliances, and electronics sales with in-house payment plans, services, and delivery with the best rewards programs in the business. All three are Utah natives with over 50 years of experience. Because the company are a locally owned and operated business, the 3 owners are readily available to help and assist the customers and employees. Customer service is the priority of the company and their focus.

The company is very proud of the thousands of relationships they have built with our customers, employees and fellow Utah businesses. The company currently have locations in Ogden, Clearfield, Salt Lake, Taylorsville, West Valley, Vernal, and the company is looking to expand to new areas.

7.7 Buddy's Home Furnishings Company

7.7.1 Business Overview

Buddy's Home Furnishings is a rent-to-own company with multiple locations across the US. They are headquartered out of Orlando, FL. The company was founded in 1961. The company's products include furniture, appliance, electronics and computers as well as non-traditional products such as purses, video games, sporting equipment and tires to be tailored to a customer's particular financial situation, enabling customers to get access to rent-to-own products available to purchase for a discount to renewal payments.

7.8 Snap Finance Company

7.8.1 Business Overview

Snap Finance is a fintech company that specializes in providing consumer financing and lease-to-own purchase options. With over 10 years of experience in the financial industry, Snap provides merchandise financing to brick-and-mortar as well as e-commerce merchants. Snap Finance is a Melbourne based Mortgage Originator founded in 2012, specializing in Home Loan & Commercial Loan Finance, Snap finance is also a provider of Commercial Motor vehicle finance, Plant & Equipment Finance and Business Finance.

Provider of digital point-of-sale, virtual rent-to-own financing programs based in Salt Lake City, Utah. The company offers lease programs that help to facilitate consumer purchases of larger ticket items such as furniture, mattresses and bedding, auto wheels and tires, enabling clients to streamline their secondary financing business.

7.9 Home Partners of America Company (HPOA)

7.9.1 Business Overview

Home Partners of America, Inc. provides mortgage finance services. The Company offers financing for homeownership. Home Partners of America serves customers in the US. Home Partners of America is committed to making homeownership a reality for more people. The program provides a clear path to homeownership. The company's process is easy, transparent, and built on a foundation of choice and flexibility. The company is helping more people get into great homes, in neighborhoods they love, with the opportunity to build a more secure financial future. The company was founded in 2012 and is headquartered in Chicago, Illinois.

7.10.1 Business Overview

Dream America was launched in 2018 with a mission of turning renters into owners. The company is headquartered in Miami, FL. The company innovative Dream Lease to Own program puts a strong emphasis on ownership, not just renting "with an option to buy." The company's applicants go through a review process so that the applicant and the Dream Team can understand what price house they can afford and what they need to do to become mortgage ready. This insures that their clients not only have the option to buy, but a clear roadmap to put them on the path to homeownership. Once approved, pick any home available for sale in the community. Dream buys the home and leases it back to the client until the clients are mortgage-ready.

7.11.1 Business Overview

ZeroDown is transforming the real estate market, starting in the Bay Area. With an easy online approval, customers choose a home, move in within seven days and have five years to build up credit toward their down payment. Founded in 2018 by the Co-Founders of Zenefits, ZeroDown is backed by Sam Altman and Goodwater Capital. The company's headquarters are in San Francisco.

Zerodown is a company offering affordable homeownership solutions. The company allows customers to buy a home without a down payment. The company provides an easy online approval process and enables customers to move in at once.

7.12 Verbhouse

7.12.1 Business Overview

Verbhouse is an alternative home finance platform that combines the flexibility of renting and the long-term benefits of owning through a programmatic Lease-purchase Option. The company was founded in 2016 and is headquartered in San Francisco, California, the US.

Verbhouse is a company that develops a home-ownership platform to connect tenants with landlords. The company offers a lease-with-an-option-to-purchase program that lets program participants move into the homes they like with the option to buy later.

The company are homeownership reinvented. For many financially capable, credit-worthy people living in high-priced metros, homeownership is broken. People who can't get or don't want a mortgage are trapped in the un-winnable renting game. The benefits of homeownership are essential to emotional and financial empowerment, independence and long-term stability for all. The Verbhouse platform gives people the ability to live in the home they want now, with the option to buy or cash out later, if plans have changed. They live like a homeowner without the hassle or expense of major repairs & maintenance.

7.13 Action Rent to Own

7.13.1 Business Overview

Action Rent to Own is locally owned and operated by the Brunelle family. The company was founded in 1982 and is headquartered in West Valley City, the US. The company care about things that the big companies don't - and that is what makes them different. Even though the company have the best prices in town, that is not the most important aspect the company bring the table.

Action Rent To Own in Wichita, KS offers rental of furniture, appliances, electronics and more. Their showroom is stocked with the latest styles, so the company is sure to have something that fits the clients budget and needs. The company have bedrooms sets, living room sets, appliances, electronics, and more. The client can create the perfect look with their rental furniture and sets. The company have traditional and modern sets that will appeal to the clients unique style. For the past 29 years, Action Rent to Own has served the local residents in and around the Wichita area. The company always offer free delivery and no long-term obligations are required on any of their rentals.

7.14.1 Business Overview

Divvy Homes is a real estate company providing a tech-enabled real estate platform. Its platform selects any home on the market and the renter builds equity credits in the home with every payment. The company was founded in 2017 and is headquartered in San Francisco, the US.

Divvy Homes is on a mission to make homeownership more accessible to American families. The program is currently available across 16 major US metropolitan areas: Atlanta, GA; Cincinnati, OH; Cleveland, OH; Dallas, TX; Denver, CO; Ft Lauderdale, FL; Houston, TX; Jacksonville, FL; Memphis, TN; Minneapolis, MN; Miami, FL; Orlando, FL; Phoenix, AZ; San Antonio, TX; St. Louis, MO; and Tampa, FL. Divvy Homes is backed by Andreessen Horowitz, Caffeinated Capital, GGV Capital, GIC, JAWS Ventures, Lennar, Moore Specialty Credit, SciFi VC, and Tiger Global Management. Divvy Homes was incubated in Max Levchin's startup studio HVF and co-founded by Adena Hefets, Nick Clark, and Alex Klarfeld.

Operator of a real estate company intended to make homeownership accessible to everyone. The company initiates to select any home on the market and buys it for the renter who in turn rent the home, built monthly savings, and buy the home whenever they are ready, or walk away and cash out their savings, enabling customers to close the housing affordability gap by providing trusted, transparent and simple homeownership products for families.

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