UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2021

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 1-39628

PROG HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Georgia	**85-2484385**
(State or other jurisdiction of incorporation or organization)	**(I. R. S. Employer Identification No.)**
256 W. Data Drive Draper, Utah	**84020-2315**
(Address of principal executive offices)	**(Zip Code)**

(385) 351-1369
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.50 Par Value	**PRG**	**New York Stock Exchange**

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether registrant (l) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of l934 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, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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 7(a)(2)(B) of the Securities 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 the latest practicable date.

Title of Each Class	Shares Outstanding as of July 23, 2021
Common Stock, $0.50 Par Value	66,499,901

PROG HOLDINGS, INC.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PROG HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	(Unaudited) June 30, 2021	December 31, 2020
	(In Thousands, Except Share Data)	
ASSETS:		
Cash and Cash Equivalents	$ 137,549	$ 36,645
Accounts Receivable (net of allowances of $48,459 in 2021 and $56,364 in 2020)	57,074	61,254
Lease Merchandise (net of accumulated depreciation and allowances of $416,700 in 2021 and $409,307 in 2020)	587,730	610,263
Loans Receivable (net of allowances and unamortized fees of $57,976 in 2021 and $52,274 in 2020)	103,055	79,148
Property, Plant and Equipment, Net	26,738	26,705
Operating Lease Right-of-Use Assets	18,765	20,613
Goodwill	306,627	288,801
Other Intangibles, Net	148,752	154,421
Prepaid Expenses and Other Assets	39,630	39,554
Total Assets	$ 1,425,920	$ 1,317,404
LIABILITIES & SHAREHOLDERS’ EQUITY:		
Accounts Payable and Accrued Expenses	$ 102,041	$ 78,249
Deferred Income Tax Liability	139,214	126,938
Customer Deposits and Advance Payments	44,093	46,565
Operating Lease Liabilities	27,237	29,516
Debt	50,000	50,000
Total Liabilities	362,585	331,268
Commitments and Contingencies (Note 6)		
SHAREHOLDERS' EQUITY:		
Common Stock, Par Value $0.50 Per Share: Authorized: 225,000,000 Shares at June 30, 2021 and December 31, 2020; Shares Issued: 90,752,123 at June 30, 2021 and December 31, 2020	45,376	45,376
Additional Paid-in Capital	318,911	318,263
Retained Earnings	1,384,703	1,236,378
	1,748,990	1,600,017
Less: Treasury Shares at Cost		
Common Stock: 24,252,222 Shares at June 30, 2021 and 23,029,434 at December 31, 2020	(685,655)	(613,881)
Total Shareholders’ Equity	1,063,335	986,136
Total Liabilities & Shareholders’ Equity	$ 1,425,920	$ 1,317,404

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

PROG HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(In Thousands, Except Per Share Data)			
REVENUES:				
Lease Revenues and Fees	$ 646,048	$ 589,749	$ 1,354,030	$ 1,248,283
Interest and Fees on Loans Receivable	13,923	9,415	26,942	19,322
	659,971	599,164	1,380,972	1,267,605
COSTS AND EXPENSES:				
Depreciation of Lease Merchandise	439,658	420,731	944,715	884,649
Provision for Lease Merchandise Write-offs	31,258	36,151	49,898	91,865
Operating Expenses	96,745	82,518	187,941	181,502
	567,661	539,400	1,182,554	1,158,016
OPERATING PROFIT	92,310	59,764	198,418	109,589
Interest Expense	(436)	—	(948)	—
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAX	91,874	59,764	197,470	109,589
INCOME TAX EXPENSE (BENEFIT)	23,037	767	49,145	(7,090)
NET EARNINGS FROM CONTINUING OPERATIONS	68,837	58,997	148,325	116,679
EARNINGS (LOSS) FROM DISCONTINUED OPERATIONS, NET OF INCOME TAX	—	9,380	—	(328,307)
NET EARNINGS (LOSS)	$ 68,837	$ 68,377	$ 148,325	$ (211,628)
BASIC EARNINGS (LOSS) PER SHARE				
Continuing Operations	1.03	$ 0.88	$ 2.20	$ 1.74
Discontinued Operations	—	0.14	—	(4.90)
TOTAL BASIC EARNINGS (LOSS) PER SHARE	$ 1.03	$ 1.02	$ 2.20	$ (3.16)
DILUTED EARNINGS (LOSS) PER SHARE				
Continuing Operations	$ 1.02	$ 0.87	$ 2.19	$ 1.72
Discontinued Operations	—	0.14	—	(4.85)
TOTAL DILUTED EARNINGS (LOSS) PER SHARE	$ 1.02	$ 1.01	$ 2.19	$ (3.13)
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	67,011	67,097	67,368	66,959
Assuming Dilution	67,329	67,523	67,792	67,693

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

PROG HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In Thousands)	**2021**	**2020**	**2021**	**2020**
Net Earnings (Loss)	$ 68,837	$ 68,377	$ 148,325	$ (211,628)
Other Comprehensive Income (Loss):				
Foreign Currency Translation Adjustment	—	331	—	(1,423)
Total Other Comprehensive Income (Loss)	—	331	—	(1,423)
Comprehensive Income (Loss)	$ 68,837	$ 68,708	$ 148,325	$ (213,051)

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

PROG HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2021	**2020**
	(In Thousands)	
OPERATING ACTIVITIES:		
Net Earnings (Loss)	$ 148,325	$ (211,628)
Adjustments to Reconcile Net Earnings (Loss) to Cash Provided by Operating Activities:		
Depreciation of Lease Merchandise	944,715	1,144,958
Other Depreciation and Amortization	14,247	50,154
Provisions for Accounts Receivable and Loan Losses	87,114	174,737
Stock-Based Compensation	8,137	12,487
Deferred Income Taxes	11,001	(73,656)
Impairment of Goodwill and Other Assets	—	468,634
Non-Cash Lease Expense	464	50,638
Other Changes, Net	(1,180)	5,109
Changes in Operating Assets and Liabilities, Net of Effects of Acquisitions and Dispositions:		
Additions to Lease Merchandise	(974,271)	(1,032,977)
Book Value of Lease Merchandise Sold or Disposed	52,089	201,058
Accounts Receivable	(72,070)	(134,467)
Prepaid Expenses and Other Assets	106	(4,711)
Income Tax Receivable	(20)	(38,797)
Operating Lease Right-of-Use Assets and Liabilities	(895)	(53,544)
Accounts Payable and Accrued Expenses	23,552	(19,713)
Accrued Regulatory Expense	—	(175,000)
Customer Deposits and Advance Payments	(2,473)	(2,527)
Cash Provided by Operating Activities	238,841	360,755
INVESTING ACTIVITIES:		
Investments in Loans Receivable	(94,129)	(39,986)
Proceeds from Loans Receivable	62,938	32,248
Outflows on Purchases of Property, Plant and Equipment	(4,781)	(33,885)
Proceeds from Disposition of Property, Plant and Equipment	45	2,220
Outflows on Acquisitions of Businesses and Customer Agreements, Net of Cash Acquired	(22,749)	(1,209)
Proceeds from Dispositions of Businesses and Customer Agreements, Net of Cash Disposed	—	359
Cash Used in Investing Activities	(58,676)	(40,253)
FINANCING ACTIVITIES:		
Proceeds from Debt	—	5,625
Repayments on Debt	—	(60,748)
Dividends Paid	—	(5,351)
Acquisition of Treasury Stock	(77,196)	—
Issuance of Stock Under Stock Option Plans	2,856	2,250
Shares Withheld for Tax Payments	(4,921)	(5,877)
Debt Issuance Costs	—	(1,020)
Cash Used in Financing Activities	(79,261)	(65,121)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	—	(79)
Increase in Cash and Cash Equivalents	100,904	255,302
Cash and Cash Equivalents at Beginning of Period	36,645	57,755
Cash and Cash Equivalents at End of Period	$ 137,549	$ 313,057
Net Cash Paid During the Period:		
Interest	$ 435	$ 6,722
Income Taxes	$ 23,539	$ 1,438

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

NOTE 1. BASIS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As described elsewhere in this Quarterly Report on Form 10-Q, the Coronavirus Disease ("COVID-19") pandemic has led to significant market disruption and has impacted many aspects of our operations, directly and indirectly. Throughout these notes to the condensed consolidated financial statements, the impacts of the COVID-19 pandemic on the financial results for the three and six months ended June 30, 2021 have been identified under the respective sections. For a discussion of significant estimates made by management regarding allowances for lease merchandise, accounts receivable, and loans receivable, as well as operational measures taken as a result of the COVID-19 pandemic, see Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations", including the "COVID-19 Pandemic," "Results of Operations", and "Liquidity and Capital Resources" below.

Description of Business

PROG Holdings, Inc. ("we," "our," "us," the "Company", or "PROG Holdings") is a financial technology holding company with two reportable segments: (i) Progressive Leasing, a leading provider of in-store, e-commerce and app-based lease-to-own solutions; and (ii) Vive Financial ("Vive"), which offers omnichannel second-look revolving credit products.

Our Progressive Leasing segment provides consumers with lease-purchase solutions through its point-of-sale partner locations and through its e-commerce website partners in the United States (collectively, "POS partners"). It does so by purchasing merchandise from the POS partners desired by customers and, in turn, leasing that merchandise to the customers through a cancellable lease-to-own transaction. Progressive Leasing has no stores of its own, but rather offers lease-purchase solutions to the customers of traditional and e-commerce retailers.

Our Vive segment primarily serves customers that may not qualify for traditional prime lending offers who desire to purchase goods and services from participating merchants. Vive offers customized programs, with services that include revolving loans through private label and Vive-branded credit cards. Vive's current network of POS partner locations and e-commerce websites includes furniture, mattresses, home exercise equipment, and home improvement retailers, as well as medical and dental service providers.

On June 25, 2021, the Company completed the acquisition of Four Technologies, Inc. ("Four"), an innovative Buy Now, Pay Later company that allows shoppers to pay for merchandise through four interest-free installments. Four's proprietary platform capabilities and its base of customers and retailers expand PROG Holdings' ecosystem of financial technology offerings by introducing a payment solution that further diversifies the Company's consumer fintech offerings. Shoppers use Four to purchase furniture, clothing, electronics, health and beauty, footwear, jewelry, and other consumer goods from retailers across the United States. Four is not a reportable segment for the six months ended June 30, 2021 as its revenues, loss before income taxes, and assets are not material to the Company's consolidated financial results. See Note 3 for further discussion on the acquisition.

On November 30, 2020, PROG Holdings (previously Aaron's Holdings Company, Inc.) completed the separation of its Aaron's Business segment from its Progressive Leasing and Vive segments. The separation was effected through a tax-free distribution of all outstanding shares of common stock of The Aaron's Company, Inc. ("The Aaron's Company") to the PROG Holdings shareholders of record as of the close of business on November 27, 2020 (referred to as the "separation and distribution transaction"). All direct revenues and expenses of the Aaron's Business are presented as discontinued operations for all periods through the separation and distribution date of November 30, 2020. The cash flows related to the Aaron's Business have not been segregated and are included in the condensed consolidated statements of cash flows for the six months ended June 30, 2020. With the exception of Note 2, the notes to the condensed consolidated financial statements reflect the continuing operations of PROG Holdings. See Note 2 below for additional information regarding discontinued operations.

Basis of Presentation

The preparation of the Company's condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

The accompanying unaudited condensed consolidated financial statements do not include all information required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments, which are of a normal recurring nature, considered necessary for a fair presentation have been included in the accompanying unaudited condensed consolidated financial statements. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 (the "2020 Annual Report") filed with the U.S. Securities and Exchange Commission on February 26, 2021. The results of operations for the three and six months ended June 30, 2021 are not necessarily indicative of operating results for the full year.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of PROG Holdings, Inc. and its subsidiaries, each of which is wholly-owned. Intercompany balances and transactions between consolidated entities have been eliminated.

Accounting Policies and Estimates

See Note 1 to the consolidated financial statements in the 2020 Annual Report for an expanded discussion of accounting policies and estimates.

Earnings (Loss) Per Share

Earnings per share is computed by dividing net earnings (loss) by the weighted average number of shares of common stock outstanding during the period. The computation of earnings per share assuming dilution includes the dilutive effect of stock options, restricted stock units ("RSUs"), restricted stock awards ("RSAs") and performance share units ("PSUs") and awards issuable under the Company's employee stock purchase plan ("ESPP") (collectively, "share-based awards") as determined under the treasury stock method. The following table shows the calculation of dilutive share-based awards:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Shares In Thousands)	**2021**	**2020**	**2021**	**2020**
Weighted Average Shares Outstanding	67,011	67,097	67,368	66,959
Dilutive Effect of Share-Based Awards	318	426	424	734
Weighted Average Shares Outstanding Assuming Dilution	67,329	67,523	67,792	67,693

Approximately 379,000 and 334,000 weighted-average share-based awards were excluded from the computation of earnings per share assuming dilution during the three and six months ended June 30, 2021, respectively, as the awards would have been anti-dilutive for the periods presented.

Approximately 1,429,000 and 1,174,000 weighted-average share-based awards were excluded from the computation of earnings per share assuming dilution during the three and six months ended June 30, 2020, respectively, as the awards would have been anti-dilutive for the periods presented.

Revenue Recognition

Lease Revenues and Fees

Our Progressive Leasing segment provides merchandise, consisting primarily of furniture, appliances, electronics, jewelry, mobile phones and accessories, mattresses, automobile electronics and accessories, and a variety of other products to its customers for lease under terms agreed to by the customer. Progressive Leasing offers customers of traditional and e-commerce retailers a lease-purchase solution through leases with payment terms that can generally be renewed up to 12 months. Progressive Leasing does not require deposits upon inception of customer agreements. The customer has the right to acquire ownership either through early buyout options or through payment of all required lease payments. The agreements are cancellable at any time by either party without penalty.

Progressive Leasing's lease revenues are earned prior to the lease payment due date and are recorded net of related sales taxes as earned. Payment due date terms include weekly, bi-weekly, semi-monthly and monthly frequencies. Revenue recorded prior to the payment due date results in unbilled receivables recognized in accounts receivable, net of allowances in the accompanying condensed consolidated balance sheets. Progressive Leasing lease revenues are recorded net of a provision for returns and uncollectible renewal payments.

All of Progressive Leasing's customer agreements are considered operating leases. It maintains ownership of the lease merchandise until all payment obligations are satisfied under the lease ownership agreements. Initial direct costs related to lease

purchase agreements are capitalized as incurred and amortized as operating expense over the estimated lease term. The capitalized costs have been classified within prepaid expenses and other assets in the accompanying condensed consolidated balance sheets.

Interest and Fees on Loans Receivable

Interest and fees on loans receivable is primarily generated from our Vive segment. Vive extends or declines credit to an applicant through its bank partners based upon the applicant's credit rating and other factors. Qualifying applicants receive a credit card to finance their initial purchase and to use in subsequent purchases at the merchant or other participating merchants for an initial 24-month period, which Vive may renew if the cardholder remains in good standing.

Vive acquires the loan receivable from merchants through its third-party bank partners at a discount from the face value of the loan. The discount is comprised of a merchant fee discount and a promotional fee discount, if applicable.

The merchant fee discount represents a pre-negotiated, nonrefundable discount that generally ranges from 3% to 25% of the loan face value. The discount is designed to cover the risk of loss related to the portfolio of cardholder charges and Vive's direct origination costs. The merchant fee discount and origination costs are presented net on the condensed consolidated balance sheets in loans receivable. Cardholders generally have an initial 24-month period that the card is active. The merchant fee discount, net of the origination costs, is amortized on a net basis and is recorded as interest and fee revenue on loans receivable in the condensed consolidated statements of earnings on a straight-line basis over the initial 24-month period.

The discount from the face value of the loan on the acquisition of the loan receivable from the merchant through the third-party bank partners may also include a promotional fee discount, which generally ranges from 1% to 8%. The promotional fee discount is intended to compensate the holder of the loan receivable (i.e. Vive) for deferred or reduced interest rates that are offered to the cardholder for a specified period on the outstanding loan balance (generally for six, 12 or 18 months). The promotional fee discount is amortized as interest and fee revenue on loans receivable in the condensed consolidated statements of earnings on a straight-line basis over the promotional interest period (i.e., over six, 12 or 18 months, depending on the promotion). The unamortized promotional fee discount is presented net on the condensed consolidated balance sheets in loans receivable.

The customer is typically required to make monthly minimum payments of at least 3.5% of the outstanding loan balance, which includes outstanding interest. Fixed and variable interest rates, typically 27% to 35.99%, are compounded daily for cards that do not qualify for deferred or reduced interest promotional periods. Interest income, which is recognized based upon the amount of the loans outstanding, is recognized as interest and fees on loans receivable when earned if collectibility is reasonably assured. For credit cards that provide deferred interest, if the balance is not paid off during the promotional period or if the cardholder defaults, interest is billed to the customers at standard rates and the cumulative amount owed is charged to the cardholder account in the month that the promotional period expires. For credit cards that provide reduced interest, if the balance is not paid off during the promotional period, interest is billed to the cardholder at standard rates in the month that the promotional period expires or when the cardholder defaults. The Company recognizes interest revenue during the promotional period based on its historical experience related to cardholders that fail to pay off balances during the promotional period if collectibility is reasonably assured.

Annual fees are charged to cardholders at the commencement of the loan and on each subsequent anniversary date. Annual fees are deferred and recognized into revenue on a straight-line basis over a one-year period. Under the provisions of the credit card agreements, Vive also may assess fees for missed or late payments, which are recognized as revenue in the billing period in which they are assessed if collectibility is reasonably assured. Annual fees and other fees discussed are recognized as interest and fee revenue on loans receivable in the condensed consolidated statements of earnings.

Accounts Receivable

Accounts receivable consist primarily of receivables due from customers of Progressive Leasing and amounted to $57.1 million and $61.3 million, net of allowances, as of June 30, 2021 and December 31, 2020, respectively.

The Company maintains an accounts receivable allowance, which primarily relates to its Progressive Leasing operations and, to a lesser extent, receivables from Vive's POS partners. The Company's policy is to record an allowance for uncollectible renewal payments based on historical collection experience. Other qualitative factors are considered in estimating the allowance, such as current and forecasted business trends including, but not limited to, the potential unfavorable impacts of the COVID-19 pandemic on our businesses. We believe government stimulus measures in 2020 and the first half of 2021 contributed to the favorable payment trends we experienced following those measures. We believe any additional government stimulus measures may positively influence future payment trends as well. Given the significant uncertainty regarding the impacts of the COVID-19 pandemic on our business, including the existence and/or extent of any future government stimulus measures, a high level of estimation was involved in determining the allowance as of June 30, 2021; therefore, actual future accounts receivable write-offs could differ materially from the allowance. The Progressive Leasing provision for uncollectible renewal payments is recorded as a reduction of lease revenues and fees within the condensed consolidated statements of earnings. The Progressive Leasing segment writes off lease receivables that are 120 days or more contractually past due.

The following table shows the components of the accounts receivable allowance:

	Six Months Ended June 30,	
(In Thousands)	**2021**	**2020**
Beginning Balance	$ 56,364	$ 65,573
Accounts Written Off, Net of Recoveries	(84,163)	(142,385)
Accounts Receivable Provision[1]	76,258	143,630
Ending Balance	$ 48,459	$ 66,818

[1] Substantially all of the Accounts Receivable Provision is recorded as a reduction of lease revenues and fees within the condensed consolidated statements of earnings (loss).

Lease Merchandise

Progressive Leasing's merchandise consists primarily of furniture, appliances, electronics, jewelry, mobile phones and accessories, mattresses, and a variety of other products and is recorded at the lower of depreciated cost or net realizable value. Progressive Leasing depreciates lease merchandise to a 0% salvage value generally over 12 months. Depreciation is accelerated upon early buyout. All of Progressive Leasing's merchandise, net of accumulated depreciation and allowances, represents on-lease merchandise.

The Company records a provision for write-offs using the allowance method. The allowance method for lease merchandise write-offs estimates the merchandise losses incurred but not yet identified by management as of the end of the accounting period based on historical write-off experience. Other qualitative factors are considered in estimating the allowance, such as current and forecasted business trends including, but not limited to, the potential unfavorable impacts of the COVID-19 pandemic on our business. We believe government stimulus measures in 2020 and the first half of 2021 contributed to the favorable payment trends we experienced following those measures. We believe any additional government stimulus measures may positively influence future payment trends as well. Given the significant uncertainty regarding the impacts of the COVID-19 pandemic on our business, including the existence and/or extent of any future government stimulus measures, a high level of estimation was involved in determining the allowance as of June 30, 2021. Continued strong customer payment activity could result in some portion of the allowance being reversed in future periods, and actual future lease merchandise write-offs could differ materially from the allowance as of June 30, 2021.

The following table shows the components of the allowance for lease merchandise write-offs, which is included within lease merchandise, net in the condensed consolidated balance sheets:

	Six Months Ended June 30,	
(In Thousands)	**2021**	**2020**
Beginning Balance	$ 45,992	$ 47,362
Merchandise Written off, Net of Recoveries	(50,263)	(82,243)
Provision for Write-offs	49,898	91,865
Ending Balance	$ 45,627	$ 56,984

Vendor Incentives and Rebates Provided to POS Partners

Progressive Leasing has agreements with some of its POS partners that require additional consideration to be paid to the POS partner, including payments for exclusivity, rebates based on lease volume originations generated through the POS partners, and payments to the POS partners for marketing or other development initiatives to promote additional lease originations through these POS partners. Payments made to POS partners as consideration for them providing exclusivity to Progressive Leasing for lease-to-own transactions with customers of the POS partner are expensed on a straight-line basis over the exclusivity term. Rebates are accrued over the period the POS partner is earning the rebate, which is typically based on quarterly or annual lease origination volumes. Payments made to POS partners for marketing or development initiatives are expensed on a straight-line basis over the period the POS partner is earning the funds or the specified marketing term. Progressive Leasing expensed $5.6 million and $9.6 million during the three and six months ended June 30, 2021, respectively, compared to $3.3 million and $6.8 million during the three and six months ended June 30, 2020, respectively. Expenses related to additional consideration provided to POS partners are classified within operating expenses in the condensed consolidated statements of earnings.

Loans Receivable, Net

Gross loans receivable primarily represents the principal balances of credit card charges at Vive's participating merchants that remain due from cardholders, plus unpaid interest and fees due from cardholders. The allowance and unamortized fees represent uncollectible amounts; merchant fee discounts, net of capitalized origination costs; promotional fee discounts; and deferred annual card fees. As of June 30, 2021, gross loans receivable also includes outstanding receivables from customers of Four.

Economic conditions and loan performance trends are closely monitored to manage and evaluate exposure to credit risk. Trends in delinquency rates are an indicator of credit risk within the loans receivable portfolio, including the migration of loans between delinquency categories over time. Charge-off rates represent another indicator of the potential for future credit losses. The risk in the loans receivable portfolio is correlated with broad economic trends, such as current and projected unemployment rates, stock market volatility, and changes in medium and long-term risk-free rates, which are considered in determining the allowance for loan losses and can have a material effect on credit performance.

The Company calculates Vive's allowance for loan losses based on internal historical loss information and incorporates observable and forecasted macroeconomic data over a twelve-month reasonable and supportable forecast period. Incorporating macroeconomic data could have a material impact on the measurement of the allowance to the extent that forecasted data changes significantly, such as higher forecasted unemployment rates and the observed significant market volatility associated with the COVID-19 pandemic. For any periods beyond the twelve-month reasonable and supportable forecast period described above, the Company reverts to using historical loss information on a straight-line basis over a period of six months and utilizes historical loss information for the remaining life of the portfolio. The Company may also consider other qualitative factors in estimating the allowance, as necessary. For the purposes of determining the allowance as of June 30, 2021, management considered other qualitative factors such as the beneficial impact of government stimulus measures to our customer base that were not fully factored into the macroeconomic forecasted data. We believe those stimulus measures have contributed to the recent favorable cardholder payment trends we are experiencing at Vive, and we believe that any additional government stimulus measures may positively influence future cardholder payment trends as well. We also considered the uncertain nature and extent of any future government stimulus programs and the potential impact, if any, these programs may have on the ability of Vive's cardholders to make payments as they come due. The allowance for loan losses is maintained at a level considered appropriate to cover expected future losses of principal, interest and fees on active loans in the loans receivable portfolio. The appropriateness of the allowance is evaluated at each period end. To the extent that actual results differ from estimates of uncollectible loans receivable, including the significant uncertainties caused by the COVID-19 pandemic, the Company's results of operations and liquidity could be materially affected.

Vive's delinquent loans receivable includes those that are 30 days or more past due based on their contractual billing dates. In response to the COVID-19 pandemic, the Company has granted affected Vive customers payment deferrals while allowing them to maintain their delinquency status for an additional 30 days per deferral. The Company places Vive's loans receivable on nonaccrual status when they are greater than 90 days past due or upon notification of cardholder bankruptcy, death or fraud. The Company discontinues accruing interest and fees and amortizing merchant fee discounts and promotional fee discounts for Vive's loans receivable in nonaccrual status. Loans receivable are removed from nonaccrual status when cardholder payments resume, the loan becomes 90 days or less past due and collection of the remaining amounts outstanding is deemed probable. Payments received on nonaccrual loans are allocated according to the same payment hierarchy methodology applied to loans that are accruing interest. Loans receivable are charged off no later than the end of the following month after the billing cycle in which the loans receivable become 120 days past due.

Vive extends or declines credit to an applicant through its bank partners based upon the applicant's credit rating and other factors. Below is a summary of the credit quality of the Company's loan portfolio as of June 30, 2021 and December 31, 2020 by Fair Isaac and Company (FICO) score as determined at the time of loan origination:

FICO Score Category	June 30, 2021	December 31, 2020
600 or Less	7.3 %	7.5 %
Between 600 and 700	79.3 %	79.3 %
700 or Greater	12.7 %	13.2 %
No score identified	0.7 %	— %

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following:

(In Thousands)	June 30, 2021	December 31, 2020
Prepaid Expenses	$ 24,260	$ 23,030
Unamortized Initial Direct Costs on Lease Agreement Originations	5,734	4,986
Prepaid Insurance	1,861	3,639
Other Assets	7,775	7,899
Prepaid Expenses and Other Assets	$ 39,630	$ 39,554

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

(In Thousands)	June 30, 2021	December 31, 2020
Accounts Payable	$ 9,097	$ 8,630
Accrued Salaries and Benefits	23,926	18,120
Accrued Sales and Personal Property Taxes	12,698	12,933
Income Taxes Payable	32,731	18,183
Other Accrued Expenses and Liabilities	23,589	20,383
Accounts Payable and Accrued Expenses	$ 102,041	$ 78,249

Debt

On November 24, 2020, the Company entered into a credit agreement with a consortium of lenders providing for a $350.0 million senior unsecured revolving credit facility (the “Revolving Facility”), under which revolving borrowings became available at the completion of the separation and distribution transaction, and under which all borrowings and commitments will mature or terminate on November 24, 2025. The Company expects that the Revolving Facility will be used to provide for working capital and capital expenditures, to finance future permitted acquisitions, and for other general corporate purposes. The Company had $50.0 million of outstanding borrowings and $300.0 million total available credit under the Revolving Facility as of June 30, 2021.

At June 30, 2021, the Company was in compliance with all covenants related to its outstanding debt. See Note 8 to the consolidated financial statements in the 2020 Annual Report for further information regarding the Company's indebtedness.

Goodwill

Goodwill represents the excess of the purchase price paid over the fair value of the identifiable net tangible and intangible assets acquired in connection with business acquisitions. Progressive Leasing and Four are the only reporting units with goodwill. Impairment occurs when the carrying amount of goodwill is not recoverable from future cash flows. The Company’s goodwill is not amortized but is subject to an impairment test at the reporting unit level annually as of October 1 and more frequently if events or circumstances indicate that an impairment may have occurred. Factors which could necessitate an interim impairment assessment include a sustained decline in the Company’s stock price, prolonged negative industry or economic trends and significant underperformance relative to historical results, projected future operating results, or the Company fails to successfully execute on one or more elements of Progressive Leasing and/or Four's strategic plans. The Company completed its annual goodwill impairment test for Progressive Leasing as of October 1, 2020 and concluded that no impairment had occurred. The Company determined that there were no events or circumstances that occurred during the six months ended June 30, 2021 that would more likely than not reduce the fair value of Progressive Leasing below its carrying amount.

Shareholders' Equity

Changes in shareholders' equity for the six months ended June 30, 2021 and 2020 are as follows:

	Treasury Stock					
(In Thousands)	Shares	Amount	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Shareholders’ Equity
Balance, December 31, 2020	(23,029)	$ (613,881)	$ 45,376	$ 318,263	$ 1,236,378	$ 986,136
Stock-Based Compensation	—	—	—	4,163	—	4,163
Reissued Shares	216	3,671	—	(8,400)	—	(4,729)
Repurchased Shares	(589)	(28,102)	—	—	—	(28,102)
Net Earnings	—	—	—	—	79,488	79,488
Balance, March 31, 2021	(23,402)	$ (638,312)	$ 45,376	$ 314,026	$ 1,315,866	$ 1,036,956
Stock-Based Compensation	—	—	—	3,973	—	3,973
Reissued Shares	61	1,751	—	912	—	2,663
Repurchased Shares	(911)	(49,094)	—	—	—	(49,094)
Net Earnings	—	—	—	—	68,837	68,837
Balance, June 30, 2021	(24,252)	$ (685,655)	$ 45,376	$ 318,911	$ 1,384,703	$ 1,063,335

(In Thousands, Except Per Share)	Treasury Stock Shares	Treasury Stock Amount	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, December 31, 2019	(24,034)	$ (627,940)	$ 45,376	$ 290,229	$ 2,029,613	$ (19)	$ 1,737,259
Opening Balance Sheet Adjustment - ASU 2016-13, net of taxes	—	—	—	—	(6,715)	—	(6,715)
Cash Dividends, $0.04 per share	—	—	—	—	(2,700)	—	(2,700)
Stock-Based Compensation	—	—	—	5,878	—	—	5,878
Reissued Shares	368	7,291	—	(12,640)	—	—	(5,349)
Net Loss	—	—	—	—	(280,005)	—	(280,005)
Foreign Currency Translation Adjustment	—	—	—	—	—	(1,754)	(1,754)
Balance, March 31, 2020	(23,666)	$ (620,649)	$ 45,376	$ 283,467	$ 1,740,193	$ (1,773)	$ 1,446,614
Cash Dividends, $0.04 per share	—	—	—	—	(2,701)	—	(2,701)
Stock-Based Compensation	—	—	—	6,856	—	—	6,856
Reissued Shares	53	1,392	—	330	—	—	1,722
Net Earnings	—	—	—	—	68,377	—	68,377
Foreign Currency Translation Adjustment	—	—	—	—	—	331	331
Balance, June 30, 2020	(23,613)	$ (619,257)	$ 45,376	$ 290,653	$ 1,805,869	$ (1,442)	$ 1,521,199

Stock-based Compensation

The Company issued 267,503 restricted stock units or restricted stock awards (collectively, "restricted stock") during the three months ended June 30, 2021 to employees and directors, which vest over one to three-year periods. The weighted average fair value of the awards was $48.88, which was based on the fair market value of the Company's common stock on the date of grants. The restricted stock grants are settled in common stock and are subject to continued employment to be earned. The Company will recognize the grant date fair value of the restricted stock as stock-based compensation expense over the requisite service period of one to three years.

The Company issued 421,318 performance share units during the three months ended June 30, 2021 to certain employees, which vest over one to three-year periods for certain units and upon the achievement of specified performance conditions for other units. The weighted average fair value of the units was $49.36, which was based on the fair market value of the Company's common stock on the date of grants. The performance share unit grants are settled in common stock and are subject to continued employment and achievement of specified performance conditions to be earned. The performance criteria vary by agreement and includes the following performance conditions: (i) adjusted pre-tax profit, (ii) return on investment capital, (iii) consolidated revenues, (iv) segment or business unit revenues, and/or (v) certain business development and technology initiatives. The number of performance share units that are ultimately issued are subject to payout percentages ranging from 0% up to a maximum of 100%, 200%, or 260% depending on the specified terms and conditions of the performance periods contained in each agreement. The Company will recognize the grant date fair value of the performance units as stock-based compensation expense over the estimated vesting period based on the Company's projected assessment of the performance conditions that are probable of being achieved in accordance with ASC 718, *Stock-based Compensation*.

A significant portion of the restricted stock and performance share units granted during the three months ended June 30, 2021 were issued to key employees of Four on the June 25, 2021 acquisition date. These awards have been excluded from the preliminary purchase price of Four and are recognized separate from the acquisition of assets and assumption of liabilities since all awards require post-acquisition employment with the Company as a condition for vesting. See further discussion on the acquisition in Note 3.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value:

Level 1—Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2—Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3—Valuations based on unobservable inputs reflecting the Company's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

The Company measures a liability related to its non-qualified deferred compensation plan, which represents benefits accrued for plan participants and is valued at the quoted market prices of the participants' investment election, at fair value on a recurring basis. The Company maintains certain financial assets and liabilities that are not measured at fair value but for which fair value is disclosed.

The fair values of the Company's other current financial assets and liabilities, including cash and cash equivalents, accounts receivable and accounts payable, approximate their carrying values due to their short-term nature. The fair value of any revolving credit borrowings also approximate their carrying amounts.

Recent Accounting Pronouncements

Pending Adoption

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848)* (“ASU 2020-04”). The standard provides temporary guidance to ease the potential burden in accounting for reference rate reform primarily resulting from the discontinuation of the London Interbank Overnight ("LIBO") rate or another reference rate expected to be discontinued. Entities may apply the provisions of the new standard as of the beginning of the reporting period when the election is made. The provisions of this update are only available until December 31, 2022, when the reference rate replacement activity is expected to have completed. The Company's Revolving Facility currently references the LIBO rate for determining interest payable on outstanding borrowings. The amendments in ASU 2020-04 are elective and apply to all entities that have contracts referencing the LIBO rate. The new guidance provides an expedient which simplifies accounting analyses under current GAAP for contract modifications if the change is directly related to a change from the LIBO rate to a new interest rate index. The Company is continuing to evaluate the provisions of ASU 2020–04 and the impacts of transitioning to an alternative rate; however, we do not expect it to have a material impact to the Company's consolidated financial statements or to any key terms of our Revolving Facility other than the discontinuation of the LIBO rate.

NOTE 2. DISCONTINUED OPERATIONS

As discussed in Note 1 above, on November 30, 2020, PROG Holdings completed the separation and distribution of its Aaron's Business segment, and the requirements for the presentation of Aaron's Business as a discontinued operation were met on that date. Accordingly, all direct revenues and expenses of the Aaron's Business operations have been classified within discontinued operations, net of income tax, within our condensed consolidated statements of earnings for all periods through the separation and distribution date of November 30, 2020. Corporate overhead costs previously reported as expenses of the Aaron’s Business segment did not qualify for classification within discontinued operations and have been classified as expenses within continuing operations for all periods presented through the separation and distribution date of November 30, 2020. The following table summarizes the major classes of line items constituting the earnings (loss) of our Aaron's Business segment, which are included within the loss from discontinued operations, net of income tax, in the condensed consolidated statements of earnings and the operating and investing cash flows of the discontinued operations.

	Three Months Ended June 30,	Six Months Ended June 30,
(In Thousands)	**2020**	**2020**
Revenues	$ 430,955	$ 863,788
Operating Profit (Loss)	33,678	(425,042)
Earnings (Loss) from Discontinued Operations Before Income Tax[1]	32,773	(431,505)
Income Tax Expense (Benefit) from Discontinued Operations	23,393	(103,198)
Earnings (Loss) from Discontinued Operations, Net of Income Tax	$ 9,380	$ (328,307)
Cash Flows:		
Cash Provided by Operating Activities - Discontinued Operations	$ 142,582	$ 222,604
Cash Used in Investing Activities - Discontinued Operations	$ 7,019	$ 28,703

[1] Loss from Discontinued Operations Before Income Tax during the six months ended June 30, 2020 reflects a $446.9 million goodwill impairment loss related to the Aaron's Business segment and $14.1 million related to an early termination fee for a sales and marketing contract.

In order to facilitate an effective separation and distribution, the Company entered into several agreements with The Aaron's Company, which govern the nature of the relationship between and responsibilities of the two companies following the separation. For more detailed information concerning the agreements, see Note 2 to the Company's Annual Report for the year ended December 31, 2020. No changes have been made to any of the agreements as of June 30, 2021. Payments and expense reimbursements for transition services were not material during the three and six months ended June 30, 2021 and are not expected to be material in future periods.

NOTE 3. ACQUISITION

On June 25, 2021, the Company acquired 100% of the capital stock of Four Technologies, Inc. ("Four") for an estimated purchase price of $23.5 million in cash, inclusive of cash acquired of $0.5 million. The purchase price is subject to a working capital adjustment that will take place 90 days after the acquisition date.

Four is an innovative Buy Now, Pay Later company that allows shoppers to pay for merchandise through four interest-free installments. Four’s proprietary platform capabilities and its base of customers and retailers expand PROG Holdings’ ecosystem of financial technology offerings by introducing a payment solution that further diversifies the Company's consumer fintech offerings. Shoppers use Four to purchase furniture, clothing, electronics, health and beauty, footwear, jewelry, and other consumer goods from retailers across the United States.

The amounts of revenue and earnings of Four included in our condensed consolidated statements of earnings from the acquisition date of June 25, 2021 through June 30, 2021 were not material to the Company's consolidated financial results. Additionally, the pro forma impacts on the Company's revenues and earnings as if the acquisition occurred on January 1, 2020 were immaterial.

Assets acquired and liabilities assumed in connection with the acquisition have been recorded at their fair values. The following table provides the preliminary estimated fair values of the identifiable assets acquired and liabilities assumed as of the acquisition date.

(In Thousands)		June 25, 2021
Estimated Aggregate Purchase Price	$	23,465
Estimated Fair Value of Identifiable Assets Acquired and Liabilities Assumed		
Cash and Cash Equivalents		530
Loans Receivable		1,030
Property, Plant and Equipment		210
Other Intangibles		5,173
Prepaid Expenses and Other Assets		48
Total Identifiable Assets Acquired		6,991
Accounts Payable and Accrued Expenses		(77)
Deferred Income Tax Liability		(1,275)
Total Liabilities Assumed		(1,352)
Goodwill		17,826
Net Assets Acquired	$	23,465

The intangible assets attributable to the acquisition are comprised of the following:

		Fair Value (In Thousands)	Weighted Average Life (In Years)
Acquired technology	$	4,000	5.0
Tradename		587	5.0
Merchant relationships		586	2.0
Total Acquired Intangible Assets[1]	$	5,173	

[1] Acquired definite-lived intangible assets have a total weighted average life of 4.7 years.

The fair value measurements for acquired intangible assets were primarily based on significant unobservable inputs (level 3) developed using company-specific information. Goodwill consists of the excess of the estimated purchase price over the fair value of the net assets acquired and represents the Company's ability to provide a Buy Now, Pay Later product to PROG Holdings' existing base of retailers, merchants, and customers. The value of goodwill is not tax deductible.

The values above reflect our preliminary purchase price allocation and may change as we finalize our assessments of the acquired assets and liabilities during the measurement period. Adjustments to the preliminary purchase price allocation may result from working capital adjustments, obtaining additional information to finalize the valuation of intangible assets, and the finalization of our assessment of the tax impacts of the assets and liabilities acquired, including potential acquired net operating loss carryforwards.

The Company incurred $0.6 million of acquisition-related costs in connection with the acquisition during the three months ended June 30, 2021. These costs were included in operating expenses in the condensed consolidated statements of earnings.

NOTE 4. FAIR VALUE MEASUREMENT

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes financial liabilities measured at fair value on a recurring basis:

(In Thousands)	June 30, 2021			December 31, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Deferred Compensation Liability	$ —	$ 2,095	$ —	$ —	$ 1,740	$ —

The Company maintains the PROG Holdings, Inc. Deferred Compensation Plan, which is an unfunded, nonqualified deferred compensation plan for a select group of management, highly compensated employees and non-employee directors. The liability is recorded in accounts payable and accrued expenses in the condensed consolidated balance sheets. The liability represents benefits accrued for plan participants and is valued at the quoted market prices of the participants' investment elections, which consist of equity and debt "mirror" funds. As such, the Company has classified the deferred compensation liability as a Level 2 liability.

Financial Assets and Liabilities Not Measured at Fair Value for Which Fair Value is Disclosed

Vive's loans receivable are measured at amortized cost, net of an allowance for loan losses on the condensed consolidated balance sheets. In estimating fair value for Vive's loans receivable, the Company utilized a discounted cash flow methodology. The Company used various unobservable inputs reflecting its own assumptions, such as contractual future principal and interest cash flows, future loss rates, and discount rates (which consider current interest rates and are adjusted for credit risk, among other factors).

Four's loans receivable on the condensed consolidated balance sheet as of June 30, 2021 approximated fair value based on a discounted cash flow methodology.

The following table summarizes the fair value of loans receivable held by Vive and Four:

(In Thousands)	June 30, 2021			December 31, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Loans Receivable, Net	$ —	$ —	$ 149,815	$ —	$ —	$ 119,895

NOTE 5. LOANS RECEIVABLE

The following is a summary of the Company’s loans receivable, net:

(In Thousands)	June 30, 2021	December 31, 2020
Loans Receivable, Gross	$ 161,031	$ 131,422
Unamortized Fees	(12,825)	(10,147)
Loans Receivable, Amortized Cost	148,206	121,275
Allowance for Loan Losses	(45,151)	(42,127)
Loans Receivable, Net of Allowances and Unamortized Fees	$ 103,055	$ 79,148

The table below presents credit quality indicators of the amortized cost of the Company's loans receivable by origination year:

(In Thousands) As of June 30, 2021	2021	2020	2019	2018	2017	Prior	Total
FICO Score Category:							
600 or Less	$ 5,920	$ 3,904	$ 1,099	$ 330	$ 53	$ 42	$ 11,348
Between 600 and 700	58,507	38,784	11,377	4,117	2,515	2,028	117,328
700 or Greater	10,149	5,631	1,138	659	409	514	18,500
No Score Identified	1,030	—	—	—	—	—	1,030
Total Amortized Cost	$ 75,606	$ 48,319	$ 13,614	$ 5,106	$ 2,977	$ 2,584	$ 148,206

Included in the table below is an aging of the loans receivable, gross balance:

(Dollar Amounts in Thousands) Aging Category	June 30, 2021	December 31, 2020
30-59 days past due	5.0 %	5.7 %
60-89 days past due	2.2 %	2.6 %
90 or more days past due	2.4 %	3.1 %
Past due loans receivable	9.6 %	11.4 %
Current loans receivable	90.4 %	88.6 %
Balance of Credit Card Loans on Nonaccrual Status	1,965	1,962
Balance of Loans Receivable 90 or More Days Past Due and Still Accruing Interest and Fees	$ —	$ —

The tables below present the components of the allowance for loan losses for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,	
(In Thousands)	**2021**	**2020**
Beginning Balance	$ 44,656	$ 31,594
Provision for Loan Losses	4,388	3,428
Charge-offs	(4,766)	(5,132)
Recoveries	873	803
Ending Balance	$ 45,151	$ 30,693

	Six Months Ended June 30,	
(In Thousands)	**2021**	**2020**
Beginning Balance	$ 42,127	$ 14,911
CECL Transition Adjustment [1]	—	9,463
Provision for Loan Losses	10,856	16,150
Charge-offs	(9,649)	(11,333)
Recoveries	1,817	1,502
Ending Balance	$ 45,151	$ 30,693

[1] Upon the January 1, 2020 adoption of CECL, the Company increased its allowance for loan losses by $9.5 million. The increase was recorded as a cumulative-effect non-cash adjustment of $6.7 million, net of tax, to the opening balance of the Company's 2020 retained earnings.

NOTE 6. COMMITMENTS AND CONTINGENCIES

Legal and Regulatory Proceedings

From time to time, the Company is party to various legal and regulatory proceedings arising in the ordinary course of business.

Some of the proceedings to which the Company is currently a party are described below. The Company believes it has meritorious defenses to all of the claims described below, and intends to vigorously defend against the claims. However, these proceedings are still developing and due to the inherent uncertainty in litigation, regulatory and similar adversarial proceedings, there can be no guarantee that the Company will ultimately be successful in these proceedings, or in others to which it is currently a party. Substantial losses from these proceedings or the costs of defending them could have a material adverse impact upon the Company’s business, financial position and results of operations.

The Company establishes an accrued liability for legal and regulatory proceedings when it determines that a loss is both probable and the amount of the loss can be reasonably estimated. The Company continually monitors its litigation and regulatory exposure and reviews the adequacy of its legal and regulatory reserves on a quarterly basis. The amount of any loss ultimately incurred in relation to matters for which an accrual has been established may be higher or lower than the amounts accrued for such matters.

As of June 30, 2021 and December 31, 2020, the Company had accrued $0.1 million for pending legal and regulatory matters for which it believes losses are probable and is the Company's best estimate of its exposure to loss. The Company records legal and regulatory liabilities in accounts payable and accrued expenses in the condensed consolidated balance sheets. The Company estimates that the aggregate range of reasonably possible loss in excess of accrued liabilities for such probable loss contingencies is between zero and $0.2 million.

At June 30, 2021, the Company estimated that the aggregate range of loss for all material pending legal and regulatory proceedings for which a loss is reasonably possible, but less likely than probable (i.e., excluding the contingencies described in the preceding paragraph), is immaterial. Those matters for which a reasonable estimate is not possible are not included within estimated ranges and, therefore, the estimated ranges do not represent the Company's maximum loss exposure. The Company’s estimates for legal and regulatory accruals, aggregate probable loss amounts and reasonably possible loss amounts, are all subject to the uncertainties and variables described above.

Regulatory Inquiries

In January 2021, the Company, along with other lease-to-own companies, received a subpoena from the California Department of Financial Protection and Innovation (the "DFPI") requesting the production of documents regarding the Company's compliance with state consumer protection laws, including new legislation that went into effect on January 1, 2021. Although the Company believes it is in compliance with all applicable consumer financial laws and regulations in California, this inquiry could lead to an enforcement action and/or a consent order, and substantial costs, including legal fees, fines, penalties, and remediation expenses. While the Company intends to preserve defenses surrounding the jurisdiction of DFPI in this matter, it anticipates cooperating with the DFPI in responding to its inquiry.

Litigation Matters

In *Stein v. Aaron's, Inc., et. al.*, filed in the United States District Court for the Southern District of New York on February 28, 2020, the plaintiffs allege that from March 2, 2018 through February 19, 2020, the Company made certain misleading public statements about the Company's business, operations, and prospects. The allegations underlying the lawsuit principally relate to the FTC's inquiry into disclosures related to lease-to-own and other financial products offered by the Company through its historical Aaron's Business and Progressive Leasing segments. The Company believes the claims are without merit and intends to vigorously defend against this lawsuit. The case has been transferred to the United States District Court for the Northern District of Georgia, where the Company has filed a motion to dismiss the case and a final briefing on that motion was filed on November 17, 2020. No ruling has been made on the motion to dismiss.

Other Contingencies

Management regularly assesses the Company's insurance deductibles, monitors the Company's litigation and regulatory exposure with the Company's attorneys and evaluates its loss experience. The Company also enters into various contracts in the normal course of business that may subject it to risk of financial loss if counterparties fail to perform their contractual obligations.

Off-Balance Sheet Risk

The Company, through its Vive segment, has unconditionally cancellable unfunded lending commitments totaling approximately $393.4 million and $287.3 million as of June 30, 2021 and December 31, 2020, respectively, that do not give rise to revenues and cash flows. These unfunded commitments arise in the ordinary course of business from credit card agreements with individual cardholders that give them the ability to borrow, against unused amounts, up to the maximum credit limit assigned to their account. While these unfunded amounts represent the total available unused lines of credit, the Company does not anticipate that all cardholders will utilize their entire available line at any given point in time. Commitments to extend unsecured credit are agreements to lend to a cardholder so long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

NOTE 7. SEGMENTS

As of June 30, 2021, the Company has two reportable segments: Progressive Leasing and Vive. As discussed in Note 1 above, the Company spun-off its Aaron's Business segment effective November 30, 2020 through the tax-free distribution of all outstanding common stock of The Aaron's Company, Inc. to the PROG Holdings shareholders. All direct revenues and expenses of the Aaron's Business operations have been classified within discontinued operations, net of income tax, within our consolidated statements of earnings for all periods through the November 30, 2020 separation and distribution date.

As discussed in Note 3, on June 25, 2021, the Company completed the acquisition of Four, an innovative Buy Now, Pay Later company that allows shoppers to pay for merchandise through four interest-free installments. Four is not a reportable segment for the six months ended June 30, 2021 as its revenues, loss before income taxes, and assets are not material to the Company's consolidated financial results.

Progressive Leasing partners with traditional and e-commerce retailers, primarily in the furniture and appliance, jewelry, mobile phones and accessories, mattresses, and automobile electronics and accessories industries to offer a lease-purchase solution for customers who may not have access to traditional credit-based financing options. It does so by offering leases with monthly, semi-monthly, bi-weekly and weekly payment models.

Vive offers a variety of second-look financing programs originated through third-party federally insured banks to customers of participating merchants and, together with Progressive Leasing, allows the Company to provide retail partners with below-prime customers one source for financing and leasing transactions.

Disaggregated Revenue

The following table presents revenue by source and by segment for the three months ended June 30, 2021 and 2020:

	Three Months Ended June 30, 2021			Three Months Ended June 30, 2020		
(In Thousands)	**Progressive Leasing**	**Vive**	**Total**	**Progressive Leasing**	**Vive**	**Total**
Lease Revenues and Fees[1]	$ 646,048	$ —	$ 646,048	$ 589,749	$ —	$ 589,749
Interest and Fees on Loans Receivable[2]	—	13,923	13,923	—	9,415	9,415
Total	$ 646,048	$ 13,923	$ 659,971	$ 589,749	$ 9,415	$ 599,164

[1] Revenue within the scope of ASC 842, *Leases*.

[2] Revenue within the scope of ASC 310, *Credit Card Interest & Fees*.

The following table presents revenue by source and by segment for the six months ended June 30, 2021 and 2020:

	Six Months Ended June 30, 2021			Six Months Ended June 30, 2020		
(In Thousands)	**Progressive Leasing**	**Vive**	**Total**	**Progressive Leasing**	**Vive**	**Total**
Lease Revenues and Fees[1]	$ 1,354,030	$ —	$ 1,354,030	$ 1,248,283	$ —	$ 1,248,283
Interest and Fees on Loans Receivable[2]	—	26,942	26,942	—	19,322	19,322
Total	$ 1,354,030	$ 26,942	$ 1,380,972	$ 1,248,283	$ 19,322	$ 1,267,605

[1] Revenue within the scope of ASC 842, *Leases*.

[2] Revenue within the scope of ASC 310, *Credit Card Interest & Fees*.

Measurement of Segment Profit or Loss and Segment Assets

The Company evaluates performance and allocates resources based on revenues and earnings (loss) before income taxes from operations. The Company determines earnings (loss) before income taxes for all reportable segments in accordance with U.S. GAAP. Interest expense is allocated from the Progressive Leasing segment to the Vive segment based on the balance of outstanding intercompany debt.

The Company incurred various corporate overhead expenses for certain executive management, finance, treasury, tax, audit, legal, risk management, and other overhead functions during the three and six months ended June 30, 2021 and 2020. For 2020, the Company allocated a predetermined portion of these corporate overhead costs to the Progressive Leasing and Vive segments, which are reflected as expenses of these segments in calculating the earnings before income taxes for the three and six months ended June 30, 2020. The remaining unallocated corporate expenses represent corporate overhead costs that were previously assigned to the Aaron's Business segment and are in addition to the overhead costs allocated to the Progressive Leasing and Vive segments for the three and six months ended June 30, 2020. These unallocated corporate overhead expenses have been classified as continuing operations since the costs were not directly attributable to the discontinued operations of the Aaron's Business. These costs are reflected below as unallocated corporate expenses in 2020. The allocation of corporate overhead costs to the Progressive Leasing and Vive segments is consistent with how the chief operating decision maker analyzed performance and allocated resources among the segments of the Company during 2020. For 2021, corporate overhead expenses incurred are primarily reflected as expenses of the Progressive Leasing segment and an immaterial amount was allocated to the Vive segment. The following is a summary of earnings before income taxes by segment:

	Three Months Ended June 30,	
(In Thousands)	**2021**	**2020**
Earnings Before Income Taxes:		
Progressive Leasing	$ 87,521	$ 63,113
Vive	4,353	1,626
Unallocated Corporate Expenses	—	(4,975)
Total Earnings Before Income Taxes	$ 91,874	$ 59,764

	Six Months Ended June 30,	
(In Thousands)	**2021**	**2020**
Earnings Before Income Taxes:		
Progressive Leasing	$ 191,693	$ 125,820
Vive	5,777	(5,526)
Unallocated Corporate Expenses	—	(10,705)
Total Earnings Before Income Taxes	$ 197,470	$ 109,589

The following is a summary of total assets by segment:

(In Thousands)	**June 30, 2021**	**December 31, 2020**
Assets:		
Progressive Leasing	$ 1,268,275	$ 1,209,650
Vive	132,828	107,754
Other	24,817	—
Total Assets	$ 1,425,920	$ 1,317,404

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Special Note Regarding Forward-Looking Information: Except for historical information contained herein, the matters set forth in this Form 10-Q are forward-looking statements. These statements are based on management’s current expectations and plans, which involve risks and uncertainties. Such forward-looking statements generally can be identified by the use of forward-looking terminology such as "anticipate," "believe," "could," "estimate," "expect," "intend," "plan," "project," "would," "should," and similar expressions. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the filing date of this Quarterly Report and which involve risks and uncertainties that may cause actual results to differ materially from those set forth in these statements. These risks and uncertainties include factors that could cause our actual results and financial condition to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include, among others, those discussed in "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (the "2020 Annual Report"). Except as required by law, the Company undertakes no obligation to update these forward-looking statements to reflect subsequent events or circumstances after the filing date of this Quarterly Report.

The following discussion should be read in conjunction with the condensed consolidated financial statements as of and for the three and six months ended June 30, 2021 and 2020, including the notes to those statements, appearing elsewhere in this report. We also suggest that management’s discussion and analysis appearing in this report be read in conjunction with the management’s discussion and analysis and consolidated financial statements included in our 2020 Annual Report.

Business Overview

PROG Holdings, Inc. ("we," "our," "us," the "Company", or "PROG Holdings") is a financial technology holding company with two operating and reportable segments: (i) Progressive Leasing, a leading provider of in-store, e-commerce and app-based lease-to-own solutions; and (ii) Vive Financial ("Vive"), which offers omnichannel second-look revolving credit products.

Our Progressive Leasing segment provides consumers with lease-purchase solutions through its point-of-sale partner locations and e-commerce website partners in the United States (collectively, "POS partners"). It does so by purchasing merchandise from the POS partners desired by customers and, in turn, leasing that merchandise to the customers through a cancellable lease-to-own transaction. Progressive Leasing has no stores of its own, but rather offers lease-purchase solutions to the customers of traditional and e-commerce retailers.

Our Vive segment primarily serves customers that may not qualify for traditional prime lending offers who desire to purchase goods and services from participating merchants. Vive offers customized programs, with services that include revolving loans through private label and Vive-branded credit cards. Vive's current network of POS partner locations and e-commerce websites includes furniture, mattresses, home exercise equipment, and home improvement retailers, as well as medical and dental service providers.

On June 25, 2021, the Company completed the acquisition of Four Technologies, Inc. ("Four"), an innovative Buy Now, Pay Later company that allows shoppers to pay for merchandise through four interest-free installments. Four’s proprietary platform capabilities and its base of customers and retailers expand PROG Holdings’ ecosystem of financial technology offerings by introducing a payment solution that further diversifies the Company's consumer fintech offerings. Shoppers use Four to purchase furniture, clothing, electronics, health and beauty, footwear, jewelry, and other consumer goods from retailers across the United States. Four is not expected to be a reportable segment in 2021 as its revenues, earnings (loss) before income taxes, and assets are not expected to be material to the Company's consolidated financial results in 2021.

Separation and Distribution of the Aaron's Business Segment

On November 30, 2020, PROG Holdings (previously "Aaron's Holdings Company, Inc.") completed the separation of its Aaron's Business segment from its Progressive Leasing and Vive segments. The separation was effected through a tax-free distribution of all outstanding shares of common stock of The Aaron's Company, Inc. (referred to herein as "The Aaron's Company") to the PROG Holdings shareholders of record as of the close of business on November 27, 2020 (referred to as the "separation and distribution transaction").

Prior to the separation and distribution transaction, the Company's operating segments were Progressive Leasing, the Aaron's Business, and Vive. All direct revenues and expenses of the Aaron's Business operations have been classified within discontinued operations, net of income tax, within our consolidated statements of earnings for all periods through the separation and distribution date of November 30, 2020. Certain corporate expenses that had previously been reported as expenses of the Aaron's Business segment in 2020 did not qualify for classification within discontinued operations and are reported as unallocated corporate expenses for segment purposes within continuing operations. These unallocated corporate expenses are in addition to corporate overhead costs allocated to the Progressive Leasing and Vive segments for periods through the separation and distribution date of November 30, 2020. We have focused our discussion in this management's discussion and analysis on our continuing operations of Progressive Leasing, Vive, and unallocated corporate expenses.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. Since then, the COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and increased unemployment levels. Although the temporary showroom and/or store closures or reduced hours and scope of operations that many of our POS partners experienced during portions of 2020 have eased, other pandemic-related factors continue to unfavorably impact many of our POS partners, including supply chain disruptions resulting in shortages of available products at certain POS partners, primarily in the appliance, electronics and furniture categories. These pandemic-related developments had an unfavorable impact on Progressive Leasing's generation of new lease agreements, gross merchandise volume and revenues.

The COVID-19 pandemic may adversely impact our business, results of operations, financial condition, liquidity and/or cash flow in future periods. The extent of any such adverse impacts will depend on future developments, which are highly uncertain and cannot be predicted, including (i) the length and severity of the pandemic, including, for example, the emergence of more contagious and harmful variants of COVID-19 and localized outbreaks or additional waves of COVID-19 cases; (ii) the impact of any such outbreaks on our customers, POS partners, and employees; (iii) the nature of any government orders issued in response to such outbreaks; (iv) the effectiveness, availability and level of use of vaccines; and (v) whether there is any additional government stimulus in response to the pandemic, as well as the nature, timing and amount of such stimulus payments.

In response to COVID-19, the U.S. government enacted certain fiscal stimulus measures in several phases to assist in counteracting the economic disruptions caused by the pandemic. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. A second round of stimulus benefits was enacted and paid in December 2020. On March 11, 2021, the American Rescue Plan Act of 2021 was signed into law, providing a third round of stimulus payments to individuals and extending supplemental unemployment assistance through September 6, 2021, while exempting the first $10,200 of unemployment benefits from income tax. We believe all of those government stimulus measures provided economic support to many of our customers, resulting in an increase in payment activity and early lease buyouts, as well as lease merchandise, accounts receivable, and loan receivable write-offs trending lower. We believe a significant portion of our Progressive Leasing and Vive customers received stimulus payments and/or federally supplemented unemployment payments during 2020 and 2021, which enabled them to continue making payments to us under their lease-to-own or credit card agreements, despite the economically challenging times resulting from the COVID-19 pandemic.

We cannot be certain that our customers will continue making their payments to us at the current levels, in future periods, if the federal government does not continue supplemental unemployment benefits and/or enact additional stimulus measures. For example, if the rate of unemployment remains relatively high, the government's failure to do so could result in a significant reduction in the portion of our customers who continue making payments owed to us under their lease-to-own or credit card agreements. During July 2021, the Internal Revenue Service is expected to begin making advance child tax credit payments to qualifying families. With respect to these payments and any further stimulus measures that may be enacted in the future, we cannot be certain that our customers will use such benefits to continue making payments to us at the current levels under their lease-to-own or credit card agreements. In addition, if the recent significant increase in inflation continues in future periods, such a development may adversely impact our customers continuing to make payments to us at the current levels, and may have an unfavorable impact on our financial performance.

Additionally, any future stimulus payments and/or federally supplemented unemployment payments may result in changing consumer spending behaviors resulting in fewer consumers executing lease-to-own or credit card agreements with us and/or more existing customers electing early lease buyouts options, which have lower margins.

Highlights

The following summarizes significant financial highlights from the three months ended June 30, 2021:

- We reported revenues of $660.0 million, an increase of 10.1% compared to the second quarter of 2020. Our increase in revenues was primarily due to growth of the Company's portfolio of leased assets, driven by a rise in GMV generated from continued growth from large national POS partners and increased penetration in e-commerce. Continued strong customer payment performance across both the Progressive Leasing and Vive segments also contributed to increased revenues during the three months ended June 30, 2021. In the second quarter of 2021, GMV generated through e-commerce platforms represented 13.0% of total Progressive Leasing GMV, compared to 4.3% in the second quarter of 2020.
- Earnings before income taxes increased to $91.9 million compared to $59.8 million in the same period in 2020. The increase is primarily due to the overall revenue growth discussed above and a decrease in the provision for lease merchandise write-offs, partially offset by increases in personnel costs, professional services, and advertising expenses. Other impacts to earnings before income taxes compared to 2020 included:
    - In the second quarter of 2021, we released $5.3 million of incremental lease merchandise and accounts receivable allowances established in the first quarter of 2020 in response to the COVID-19 pandemic, due to continued strong customer payment activity. As of June 30, 2021, we had $4.4 million and $2.0 million of incremental lease merchandise and accounts receivable COVID-19 allowances, respectively. Given the significant uncertainty regarding customer payment behaviors resulting from the COVID-19 pandemic, including the existence and/or extent of any future government stimulus measures, a high level of estimation was involved in determining the allowances as of June 30, 2021. If we continue to experience the recent strong customer payment trends and low levels of write-offs in future periods, some or all of these remaining incremental COVID-19 allowances may be reversed.
    - In the second quarter of 2021, we released $2.9 million of allowances for loan losses, primarily due to forecasted improvements in macroeconomic conditions as of June 30, 2021, as compared to a $1.0 million increase in the allowance for loan losses in the second quarter of 2020.
    - We recognized $5.0 million of unallocated corporate costs in the second quarter of 2020, which relates to overhead costs previously recognized within the Aaron's Business segment that did not qualify for classification within discontinued operations. The favorable year-over-year impact in 2021, related to the unallocated corporate costs incurred in the second quarter of 2020, was partially offset by additional corporate costs incurred in the second quarter of 2021 related to new personnel and functions associated with the Company becoming a standalone public company following the November 30, 2020 separation and distribution transaction.

Key Operating Metrics

Gross Merchandise Volume. We believe gross merchandise volume (GMV) is a key performance indicator of our Progressive Leasing and Vive segments, as it provides the total value of new lease and loan originations written into our portfolio over a specified time period. GMV does not represent revenues earned by the Company, but rather is a leading indicator we use in forecasting revenues the Company may earn in the short-term. Progressive Leasing's GMV is defined as the retail price of merchandise acquired by Progressive Leasing, which it then leases to its customers. Vive's GMV is defined as gross loan originations.

The following table presents our GMV for the Company for the periods presented:

For the Three Months Ended June 30 (Unaudited and In Thousands)	2021	2020
GMV:		
Progressive Leasing	$ 505,971	$ 404,018
Vive	51,701	21,536
Total GMV	$ 557,672	$ 425,554

The increase in Progressive Leasing's GMV was driven by both higher average merchandise price per lease and by an increase in the quantity of new leases originated in the second quarter of 2021, compared to the second quarter of 2020, resulting from continued growth from large national POS partners and increased penetration in e-commerce. E-commerce channels generated 13.0% of Progressive Leasing's GMV in the second quarter of 2021 compared to 4.3% in the second quarter of 2020. Vive's GMV growth was driven by an increase in loan originations at both new and existing POS partners. Our Progressive Leasing and Vive GMV was unfavorably impacted by showroom and/or store closures and other disruptions for our POS partners in the second quarter of 2020, as a result of governmental orders and voluntary measures taken by our POS partners in response to the COVID-19 pandemic, which also contributed to higher GMV in the second quarter of 2021 when compared to the second quarter of 2020.

Active Customer Count. Our active customer count represents the total number of customers that have an active lease agreement with our Progressive Leasing segment or an active loan with our Vive segment. The following table presents our consolidated active customer count, which includes an immaterial number of customers that have both an active lease agreement and loan agreement, for the Company for the periods presented:

As of June 30 (Unaudited)	2021	2020
Active Customer Count:		
Progressive Leasing	905,000	902,000
Vive	81,000	49,000
Total Active Customer Count	986,000	951,000

The increase in the number of Vive customers was due to continued growth in new loan originations at both new and existing POS partners.

Key Components of Earnings Before Income Taxes

In this management’s discussion and analysis section, we review our condensed consolidated results. For the three and six months ended June 30, 2021 and the comparable prior year period, some of the key revenue, cost and expense items that affected earnings before income taxes were as follows:

Revenues. We separate our total revenues into two components: (i) lease revenues and fees and (ii) interest and fees on loans receivable. Lease revenues and fees include all revenues derived from lease agreements from our Progressive Leasing segment. Interest and fees on loans receivable represents merchant fees, finance charges and annual and other fees earned on outstanding loans in our Vive segment and, to a lesser extent, from Four.

Depreciation of Lease Merchandise. Depreciation of lease merchandise primarily reflects the expense associated with depreciating merchandise leased to customers by Progressive Leasing.

Provision for Lease Merchandise Write-offs. The provision for lease merchandise write-offs represents the estimated merchandise losses incurred but not yet identified by management and adjustments for changes in estimates for the allowance for lease merchandise write-offs.

Operating Expenses. Operating expenses include personnel costs, stock-based compensation expense, the provision for loan losses, professional services expense, intangible asset amortization expense, occupancy costs, advertising, and insurance costs, among other expenses.

Interest Expense. Interest expense consists of interest incurred on the Company's senior unsecured revolving credit facility (the "Revolving Facility").

Results of Operations – Three months ended June 30, 2021 and 2020

(In Thousands)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Change $	Change %
REVENUES:				
Lease Revenues and Fees	$ 646,048	$ 589,749	$ 56,299	9.5 %
Interest and Fees on Loans Receivable	13,923	9,415	4,508	47.9
	659,971	599,164	60,807	10.1
COSTS AND EXPENSES:				
Depreciation of Lease Merchandise	439,658	420,731	18,927	4.5
Provision for Lease Merchandise Write-Offs	31,258	36,151	(4,893)	(13.5)
Operating Expenses	96,745	82,518	14,227	17.2
	567,661	539,400	28,261	5.2
OPERATING PROFIT	92,310	59,764	32,546	54.5
Interest Expense	(436)	—	(436)	nmf
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	91,874	59,764	32,110	53.7
INCOME TAX EXPENSE	23,037	767	22,270	nmf
NET EARNINGS FROM CONTINUING OPERATIONS	68,837	58,997	9,840	16.7
EARNINGS FROM DISCONTINUED OPERATIONS, NET OF INCOME TAX	—	9,380	(9,380)	nmf
NET EARNINGS	$ 68,837	$ 68,377	$ 460	0.7 %

nmf—Calculation is not meaningful

Revenues

Information about our revenues by source and reportable segment is as follows:

(In Thousands)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Change $	Change %
REVENUES:				
Lease Revenues and Fees[1]	$ 646,048	$ 589,749	$ 56,299	9.5 %
Interest and Fees on Loans Receivable[2]	13,923	9,415	4,508	47.9
Total Revenues	$ 659,971	$ 599,164	$ 60,807	10.1 %

[1] All Lease Revenues and Fees are attributable to the Progressive Leasing segment.

[2] All Interest and Fees on Loans Receivable are attributable to the Vive segment.

Progressive Leasing revenues increased due to an increase in GMV driven by continued growth from large national POS partners and e-commerce platforms, in addition to continued strong customer payment performance. The increase in Vive revenues was due to continued strong customer payment performance and a 140.1% increase in GMV in the second quarter of 2021, compared to the second quarter of 2020, resulting in growth in our loans receivable portfolio and additional interest and fee revenues.

Operating Expenses

Information about certain significant components of operating expenses for the second quarter of 2021 as compared to the second quarter of 2020 is as follows:

(In Thousands)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Change $	Change %
Personnel Costs[1]	$ 45,844	$ 40,617	$ 5,227	12.9 %
Stock-Based Compensation	3,973	5,553	(1,580)	(28.5)
Occupancy Costs	1,432	1,670	(238)	(14.3)
Advertising	4,728	1,684	3,044	180.8
Provision for Loan Losses	4,388	3,428	960	28.0
Intangible Amortization	5,421	5,566	(145)	(2.6)
Professional Services	7,115	2,656	4,459	167.9
Other Operating Expenses	23,844	21,344	2,500	11.7
Operating Expenses	$ 96,745	$ 82,518	$ 14,227	17.2 %

nmf—Calculation is not meaningful

[1] Personnel costs excludes stock-based compensation expense, which is reported separately in the operating expense table.

The increase in personnel costs of $5.2 million was driven by an increase of $7.9 million at Progressive Leasing for additional hiring and promotions resulting from continued growth in the business and new personnel costs for functions associated with becoming a standalone public company effective November 30, 2020. These increases were partially offset by $2.9 million related to executive personnel costs incurred by the Aaron's Business segment in the second quarter of 2020, which did not qualify for classification within discontinued operations, and are classified within unallocated corporate costs for segment purposes.

Stock-based compensation decreased $1.6 million due to $2.2 million incurred in the second quarter of 2020 for executive awards previously classified within the Aaron's Business segment, which did not qualify for classification within discontinued operations, and are classified within unallocated corporate costs for segment purposes. This decrease was partially offset by $0.7 million of additional expense in the second quarter of 2021 as the result of awards for additional personnel hired to support our continued growth and as a result of PROG Holdings becoming a standalone public company.

Advertising expenses increased $3.0 million from the same quarter in 2020 due to the Company's efforts to continue growing GMV from existing POS partners and to further expand into e-commerce, combined with reduced marketing efforts in the second quarter of 2020 due to cost cutting measures implemented in response to the COVID-19 pandemic.

Professional services expenses increased in the second quarter of 2021 compared to the prior year quarter due to higher IT consulting costs, costs associated with becoming a new standalone company in November 2020 and also due to increased legal

costs, combined with reduced professional services in the second quarter of 2020 due to cost cutting measures implemented in response to the COVID-19 pandemic.

Other Costs and Expenses

Depreciation of lease merchandise. Depreciation of lease merchandise increased due to growth in Progressive Leasing's portfolio of leased assets in the second quarter of 2021 compared to 2020. As a percentage of total lease revenues and fees, depreciation of lease merchandise decreased to 68.1% from 71.3% in the prior year quarter, primarily due to a decline in the provision for uncollectible renewal payments in 2021, combined with a higher percentage of 90-day buyouts and other early buyout elections in 2020 compared to 2021.

Provision for lease merchandise write-offs. The provision for lease merchandise write-offs decreased $4.9 million due to continued strong payment activity from customers, low write-offs, and changes to estimates in our allowance for lease merchandise write-offs. In the second quarter of 2021, we released $4.0 million of incremental COVID-19 lease merchandise allowance, which was established in the first quarter of 2020, as a result of continued strong customer payment activity and low write-offs through June 30, 2021. Given the significant uncertainty regarding the impacts of the COVID-19 pandemic and its effects on our customers and on our business going forward, a high level of estimation was involved in determining the allowance as of June 30, 2021; therefore, actual lease merchandise write-offs could differ materially from the allowance.

The provision for lease merchandise write-offs as a percentage of lease revenues decreased to 4.8% in 2021 from 6.1% in 2020 as a result of low levels of delinquencies and improved customer payment activity, which contributed to favorable changes in estimates on the allowance as discussed above.

Earnings Before Income Taxes

Information about our earnings before income taxes by reportable segment is as follows:

	Three Months Ended June 30,		Change	
(In Thousands)	**2021**	**2020**	**$**	**%**
EARNINGS BEFORE INCOME TAXES:				
Progressive Leasing	$ 87,521	$ 63,113	$ 24,408	38.7 %
Vive	4,353	1,626	2,727	167.7
Unallocated Corporate Expenses	—	(4,975)	4,975	nmf
Total Earnings Before Income Taxes	$ 91,874	$ 59,764	$ 32,110	53.7 %

nmf—Calculation is not meaningful

The factors impacting the change in earnings before income taxes are discussed above.

Income Tax Expense

Income tax expense increased to $23.0 million for the three months ended June 30, 2021 compared to $0.8 million recorded in the prior year comparable period. The effective tax rate of 1.3% for the three months ended June 30, 2020 was the result of a decrease to the projected full year 2020 effective tax rate, excluding discrete tax adjustments, at June 30, 2020 as compared to March 31, 2020 caused by uncertainty arising from the COVID-19 pandemic. There are no material adjustments between the Company's effective tax rate of 25.1% for the three months ended June 30, 2021 and the Company's statutory income tax rate.

Results of Operations – Six months ended June 30, 2021 and 2020

	Six Months Ended June 30,		Change	
(In Thousands)	2021	2020	$	%
REVENUES:				
Lease Revenues and Fees	$ 1,354,030	$ 1,248,283	$ 105,747	8.5 %
Interest and Fees on Loans Receivable	26,942	19,322	7,620	39.4
	1,380,972	1,267,605	113,367	8.9
COSTS AND EXPENSES:				
Depreciation of Lease Merchandise	944,715	884,649	60,066	6.8
Provision for Lease Merchandise Write-Offs	49,898	91,865	(41,967)	(45.7)
Operating Expenses	187,941	181,502	6,439	3.5
	1,182,554	1,158,016	24,538	2.1
OPERATING PROFIT	198,418	109,589	88,829	81.1
Interest Expense	(948)	—	(948)	nmf
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	197,470	109,589	87,881	80.2
INCOME TAX EXPENSE (BENEFIT)	49,145	(7,090)	56,235	nmf
NET EARNINGS FROM CONTINUING OPERATIONS	148,325	116,679	31,646	27.1
LOSS FROM DISCONTINUED OPERATIONS, NET OF INCOME TAX	—	(328,307)	328,307	nmf
NET EARNINGS (LOSS)	$ 148,325	$ (211,628)	$ 359,953	nmf

nmf—Calculation is not meaningful

Revenues

Information about our revenues by source and reportable segment is as follows:

(In Thousands)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Change $	Change %
REVENUES:				
Lease Revenues and Fees[1]	$ 1,354,030	$ 1,248,283	$ 105,747	8.5 %
Interest and Fees on Loans Receivable[2]	26,942	19,322	7,620	39.4
Total Revenues	$ 1,380,972	$ 1,267,605	$ 113,367	8.9 %

[1] All Lease Revenues and Fees are attributable to the Progressive Leasing segment.

[2] All Interest and Fees on Loans Receivable are attributable to the Vive segment.

Progressive Leasing revenues increased due to continued GMV growth from large national POS partners and e-commerce platforms, in addition to continued strong customer payment performance and elevated early lease buyout activity. The increase in Vive revenues was due to continued strong customer payment performance and a 129.4% increase in GMV in the six months ended June 30, 2021, compared to the six months ended June 30, 2020, resulting in growth in our loans receivable portfolio and additional interest and fee revenues.

Operating Expenses

Information about certain significant components of operating expenses for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020 is as follows:

(In Thousands)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Change $	Change %
Personnel Costs[1]	$ 90,061	$ 83,646	$ 6,415	7.7 %
Stock-Based Compensation	8,136	10,415	(2,279)	(21.9)
Occupancy Costs	2,814	3,456	(642)	(18.6)
Advertising	7,648	3,359	4,289	127.7
Provision for Loan Losses	10,856	16,150	(5,294)	(32.8)
Intangible Amortization	10,842	11,132	(290)	(2.6)
Professional Services	11,462	5,716	5,746	100.5
Other Operating Expenses	46,122	47,628	(1,506)	(3.2)
Operating Expenses	$ 187,941	$ 181,502	$ 6,439	3.5 %

nmf—Calculation is not meaningful

[1] Personnel costs excludes stock-based compensation expense, which is reported separately in the operating expense table.

The increase in personnel costs of $6.4 million was driven by an increase of $10.8 million at Progressive Leasing for additional hiring and promotions resulting from continued growth in the business and new personnel costs for functions associated with becoming a standalone public company effective November 30, 2020. These increases were partially offset by $5.0 million related to executive personnel costs incurred by the Aaron's Business segment in the six months ended June 30, 2020, which did not qualify for classification within discontinued operations, and are classified within unallocated corporate costs for segment purposes.

Stock-based compensation decreased $2.3 million due to $4.2 million incurred in the six months ended June 30, 2020 for executive awards previously classified within the Aaron's Business segment, which did not qualify for classification within discontinued operations, and are classified within unallocated corporate costs for segment purposes. This decrease was partially offset by additional expenses of $1.1 million as the result of a stock compensation modification and $0.9 million for awards for additional personnel in the six months ended June 30, 2021.

Advertising expenses increased $4.3 million due to the Company's efforts to continue growing GMV from existing POS partners and to further expand into e-commerce, combined with reduced marketing efforts in the same period of 2020 due to cost cutting measures implemented in response to the COVID-19 pandemic.

The decreased provision for loan losses was due to continued strong customer payment activity and changes to estimates in our allowance for loan losses, partially offset by the establishment of new allowances due to GMV growth. In the six months ended June 30, 2020, the allowance for loan losses for Vive increased by $8.1 million due to unfavorable forecasted macroeconomic

conditions resulting from the COVID-19 pandemic. In the six months ended June 30, 2021, we released $5.0 million of allowances for loan losses due to forecasted improvements in macroeconomic conditions as of June 30, 2021, resulting in a $13.1 million decline in the allowance for loan losses compared to the six months ended June 30, 2020. This decline in the allowance was partially offset by the $7.8 million increase in provision for loan losses resulting from the 129.4% growth in GMV compared to the six months ended June 30, 2020.

Professional services expenses increased due to costs incurred in 2021 related to our November 30, 2020 separation and distribution transaction and increased legal costs, combined with reduced professional services in 2020 due to cost cutting measures in response to the COVID-19 pandemic.

Other operating expenses decreased as a result of certain unallocated corporate overhead costs incurred in 2020 that were previously allocated to the Aaron's Business segment.

Other Costs and Expenses

Depreciation of lease merchandise. Depreciation of lease merchandise increased due to growth in Progressive Leasing's portfolio of leased assets and elevated early lease buyout activity in the six months ended June 30, 2021 compared to 2020. As a percentage of total lease revenues and fees, depreciation of lease merchandise decreased to 69.8% from 70.9% in the prior year six month period, primarily due to a decline in the provision for uncollectible renewal payments and an increase in depreciation expense attributable to early buyout elections in 2020 compared to 2021.

Provision for lease merchandise write-offs. The provision for lease merchandise write-offs decreased $42.0 million primarily due to a $32.0 million decline in write-offs, compared to the six months ended June 30, 2020, as the result of continued strong payment activity from customers, and changes to estimates in our allowance for lease merchandise write-offs. In the six months ended June 30, 2020, we established incremental lease merchandise allowances of $11.7 million, in response to the COVID-19 pandemic based on management's best estimate of the potential unfavorable impacts the COVID-19 pandemic may have on our customers' ability to continue making payments on their leases. In the six months ended June 30, 2021, we continued to experience strong customer payment activity and low write-offs, resulting in a $5.9 million downward adjustment to our incremental COVID-19 allowance for write-offs. Given the significant uncertainty regarding the impacts of the COVID-19 pandemic and its effects on our customers and on our business going forward, a high level of estimation was involved in determining the allowance as of June 30, 2021; therefore, actual lease merchandise write-offs could differ materially from the allowance.

The provision for lease merchandise write-offs as a percentage of lease revenues decreased to 3.7% in 2021 from 7.4% in 2020 due to improved customer payment activity, low write-offs, and changes in estimates on the allowance as discussed above.

Earnings Before Income Taxes

Information about our earnings before income taxes by reportable segment is as follows:

	Six Months Ended June 30,		Change	
(In Thousands)	**2021**	**2020**	**$**	**%**
EARNINGS BEFORE INCOME TAXES:				
Progressive Leasing	$ 191,693	$ 125,820	$ 65,873	52.4 %
Vive	5,777	(5,526)	11,303	nmf
Unallocated Corporate Expenses	—	(10,705)	10,705	nmf
Total Earnings Before Income Taxes	$ 197,470	$ 109,589	$ 87,881	80.2 %

nmf—Calculation is not meaningful

The factors impacting the change in earnings before income taxes are discussed above.

Income Tax Expense

Income tax expense increased to $49.1 million for the six months ended June 30, 2021 compared to a $7.1 million income tax benefit in the prior year comparable period. The benefit for the six months ended June 30, 2020 is the result of a $34.2 million discrete income tax benefit generated by the provisions of the CARES Act in 2020, which resulted from the rate differential on the carryback of the Company's 2018 net operating loss previously recorded at 21% to the 2013 tax year, where the benefit was recognized at 35%. There are no material adjustments between the Company's effective tax rate of 25.1% for the six months ended June 30, 2021 and the Company's statutory income tax rate.

Overview of Financial Position

The major changes in the condensed consolidated balance sheet from December 31, 2020 to June 30, 2021 include:

- Cash and cash equivalents increased $100.9 million to $137.5 million during the six months ended June 30, 2021. For additional information, refer to the "Liquidity and Capital Resources" section below.
- Lease merchandise, net of accumulated depreciation and allowances, decreased $22.5 million due primarily to elevated early lease buyouts during the six months ended June 30, 2021, which we believe has resulted from recent government stimulus benefiting our customers, partially offset by a reduction in the allowance for lease merchandise write-offs resulting from continued strong payment activity and low write-off trends.
- Loans receivable, net of allowances and unamortized fees, increased $23.9 million due to growth in loan originations with Vive's POS partners and the addition of loans receivable through the acquisition of Four. Refer to Note 3 for additional information regarding the details of the acquisition and the assets acquired.
- Goodwill increased $17.8 million as a result of the Company's acquisition of Four on June 25, 2021. Refer to Note 3 for additional information regarding the details of the acquisition and the assets acquired.
- Accounts payable and accrued expenses increased $23.8 million due to a $14.5 million increase in income taxes payable as a result of earnings for the six months ended June 30, 2021. In addition, accrued salaries and benefits and other accrued expenses and liabilities increased by $5.8 million and $3.2 million, respectively, from December 31, 2020.

Liquidity and Capital Resources

General

We expect that our primary capital requirements will consist of:

- Reinvesting in our business, including buying merchandise for the operations of Progressive Leasing. Because we believe Progressive Leasing will continue to grow, we expect that the need for additional lease merchandise will remain a major capital requirement;
- Making merger and acquisition investment(s) to further broaden our product offerings; and
- Returning excess cash to shareholders through periodically repurchasing stock.

Other capital requirements include (i) expenditures related to software development; (ii) expenditures related to our corporate operating activities; (iii) personnel expenditures; (iv) income tax payments; (v) funding of loans receivable for Vive; and (vi) servicing our outstanding debt obligation.

Our capital requirements have been financed through:

- cash flows from operations;
- private debt offerings;
- bank debt; and
- stock offerings.

As of June 30, 2021, the Company had $137.5 million of cash, $50.0 million outstanding on our Revolving Facility, and $300.0 million of availability under the Revolving Facility.

The Company's cash flow statement for the six months ended June 30, 2020 was not required to be adjusted for discontinued operations. Accordingly, the cash flow activities for the Aaron's Business discontinued operations is included in the below discussion and analysis for the six months ended June 30, 2020.

Cash Provided by Operating Activities

Cash provided by operating activities was $238.8 million and $360.8 million during the six months ended June 30, 2021 and 2020, respectively. The $122.0 million decrease in operating cash flows was primarily due to the separation of the Aaron's Business, which accounted for $222.6 million of the cash provided by operating activities during the six months ended June 30, 2020. The $100.7 million increase in cash provided by operating activities from continuing operations when compared to the same period in 2020 was driven by the $175.0 million payment of Progressive Leasing's settlement with the FTC in the second quarter of 2020. Cash provided by operating activities from continuing operations was also driven by an increase in customer payment activity, including an increase in early lease buyouts. Changes in certain working capital accounts also contributed to operating cash inflows compared to 2020, including $57.5 million related to the change in accounts receivable. Other significant changes included $135.0 million of additional purchases of merchandise by Progressive Leasing during the six months ended June 30, 2021 compared to the same period in 2020. Other changes in cash provided by operating activities are discussed above in our discussion of results for the six months ended June 30, 2021.

Cash Used in Investing Activities

Cash used in investing activities was $58.7 million and $40.3 million during the six months ended June 30, 2021 and 2020, respectively. The $18.4 million increase in investing cash outflows in the six months ended June 30, 2021 as compared to the same period in 2020 was primarily due to the $22.7 million cash paid, net of cash acquired, for the acquisition of Four in June 2021 and a $54.1 million increase in cash outflows for investments in Vive loans receivable due to growth in loan origination activity, partially offset by a $29.1 million decrease in cash outflows for purchases of property, plant and equipment resulting from less capital expenditures on the Aaron's Business discontinued operations store investments prior to the separation and distribution transaction, and a $30.7 million increase in proceeds on loans receivable driven by strong customer payment activity and growth in the portfolio in the six months ended June 30, 2021 compared to the same period of 2020.

Cash Used in Financing Activities

Cash used in financing activities was $79.3 million during the six months ended June 30, 2021 compared to $65.1 million during the same period in 2020. Cash used in financing activities in 2020 was primarily due to $60.7 million of cash outflows for the repayment of debt and $5.4 million paid in dividends. The Company repurchased common stock totaling $77.2 million during the six months ended June 30, 2021 compared to no repurchases in the same period of 2020.

Share Repurchases

We purchase our stock in the market from time to time as authorized by our Board of Directors. On February 22, 2021, the Company's Board of Directors terminated the share repurchase program that was in effect as of December 31, 2020 and replaced it with a new repurchase program that permits the Company to repurchase up to $300.0 million of the Company's outstanding common stock. The Company repurchased 1,500,035 shares for $77.2 million during the six months ended June 30, 2021. As of June 30, 2021, we had the authority to purchase additional shares up to our remaining authorization limit of $222.8 million.

Debt Financing

On November 24, 2020, the Company entered into a credit agreement with a consortium of lenders providing for a $350.0 million senior unsecured revolving credit facility, under which revolving borrowings became available on the date of the completion of the separation and distribution transaction, and under which all borrowings and commitments will mature or terminate on November 24, 2025.

As of June 30, 2021, $50.0 million was outstanding under the Revolving Facility and the total available credit under the Revolving Facility was $300.0 million. The Revolving Facility includes an uncommitted incremental facility increase option (“Incremental Facilities”) which, subject to certain terms and conditions, permits the Company at any time prior to the maturity date to request an increase in extensions of credit available thereunder by an aggregate additional principal amount of up to $300.0 million.

Our Revolving Facility contains certain financial covenants, which include requirements that the Company maintain ratios of (i) total net debt to EBITDA of no more than 2.50:1.00 and (ii) consolidated interest coverage of no less than 3.00:1.00. The Company will be in default under the credit agreement if it fails to comply with these covenants, and all borrowings outstanding could become due immediately. We are in compliance with these financial covenants at June 30, 2021 and believe that we will continue to be in compliance in the future.

Commitments

Income Taxes

During the six months ended June 30, 2021, we made net tax payments of $23.5 million. Within the next six months, we anticipate making estimated tax payments of $60.5 million for U.S. federal income taxes and state income taxes.

Leases

We lease management and information technology space for corporate functions as well as call center space and storage space for our hub facilities under operating leases expiring at various times through 2027. Our corporate and call center leases contain renewal options for additional periods ranging from three to five years. We also lease transportation vehicles under operating leases which generally expire during the next three years. We expect that most leases will be renewed or replaced by other leases in the normal course of business.

Contractual Obligations and Commitments

Future interest payments on the Company's variable-rate debt are based on a rate per annum equal to, at our option, (i) the London Interbank Overnight ("LIBO") rate plus a margin within the range of 1.5% to 2.5% for revolving loans, based on total leverage, or the administrative agent's base rate plus a margin ranging from 0.5% to 1.5%, as specified in the agreement. Future interest payments related to our Revolving Facility are based on the borrowings outstanding at that time. The variable rate for our borrowings under the Revolving Facility was 1.875% at June 30, 2021. Future interest payments may be different depending on future borrowing activity and interest rates.

The Company has no long-term commitments to purchase merchandise nor does it have significant purchase agreements that specify minimum quantities or set prices that exceed our expected requirements for three months.

Deferred income tax liabilities as of June 30, 2021 were $139.2 million. Deferred income tax liabilities are calculated based on temporary differences between the tax basis of assets and liabilities and their respective book basis, which will result in taxable amounts in future years when the liabilities are settled at their reported financial statement amounts. The results of these calculations do not have a direct connection with the amount of cash taxes to be paid in any future periods. As a result, scheduling deferred income tax liabilities as payments due by period could be misleading because this scheduling would not necessarily relate to liquidity needs.

Unfunded Lending Commitments

The Company, through its Vive business, has unfunded lending commitments totaling approximately $393.4 million and $287.3 million as of June 30, 2021 and December 31, 2020, respectively, that do not give rise to revenues and cash flows. These unfunded commitments arise in the ordinary course of business from credit card agreements with individual cardholders that give them the ability to borrow, against unused amounts, up to the maximum credit limit assigned to their account. While these unfunded amounts represented the total available unused lines of credit, the Company does not anticipate that all cardholders will utilize their entire available line at any given point in time. Commitments to extend unsecured credit are agreements to lend to a cardholder so long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Critical Accounting Policies

Refer to the 2020 Annual Report.

Recent Accounting Pronouncements

Refer to Note 1 to the condensed consolidated financial statements for a discussion of recently issued accounting pronouncements, including pronouncements that were adopted in the current year.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of June 30, 2021, we had $50.0 million outstanding under our Revolving Facility. Borrowings under the Revolving Facility are indexed to the LIBO rate or the prime rate, which exposes us to the risk of increased interest costs if interest rates rise. Based on the Company's variable-rate debt outstanding as of June 30, 2021, a hypothetical 1.0% increase or decrease in interest rates would increase or decrease interest expense by approximately $0.5 million on an annualized basis.

We do not use any significant market risk sensitive instruments to hedge commodity, foreign currency or other risks, and hold no market risk sensitive instruments for trading or speculative purposes.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures.

An evaluation of the Company’s disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, was carried out by management, with the participation of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as of the end of the period covered by this Quarterly Report on Form 10-Q.

This evaluation is performed to determine if our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms. No system of controls, no matter how well designed and operated, can provide absolute assurance that the objectives of the system of controls are met, and no evaluation of controls can provide absolute assurance that the system of controls has operated effectively in all cases. Our disclosure controls and procedures, however, are designed to provide reasonable assurance that the objectives of disclosure controls and procedures are met.

Based on management’s evaluation, the CEO and CFO concluded that the Company’s disclosure controls and procedures were effective as of the date of the evaluation to provide reasonable assurance that the objectives of disclosure controls and procedures are met.

Changes in Internal Control Over Financial Reporting.

There were no changes in the Company’s internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, during the six months ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are party to various legal proceedings arising in the ordinary course of business. While any proceeding contains an element of uncertainty, we do not currently believe that any of the outstanding legal proceedings to which we are a party will have a material adverse impact on our business, financial position or results of operations. However, an adverse resolution of a number of these items may have a material adverse impact on our business, financial position or results of operations. For further information, see Note 6 in the accompanying condensed consolidated financial statements under the heading "Legal and Regulatory Proceedings," which discussion is incorporated by reference in response to this Item 1.

ITEM 1A. RISK FACTORS

The Company does not have any updates to its risk factors disclosure from that previously reported in the 2020 Annual Report and in its Quarterly Report on Form 10-Q for the three months ended March 31, 2021.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table presents our share repurchase activity for the three months ended June 30, 2021:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [1]
April 1, 2021 through April 30, 2021	—	—	—	$ 271,898,180
May 1, 2021 through May 31, 2021	753,384	53.88	753,384	231,308,809
June 1, 2021 through June 30, 2021	157,925	53.86	157,925	222,803,554
Total	911,309		911,309	

[1]Share repurchases are conducted under authorizations made from time to time by the Company's Board of Directors. The most recent authorization, which replaced our previous repurchase program, effective February 22, 2021, authorized the repurchase of shares up to a maximum amount of $300.0 million. Subject to the terms of the Board's authorization and applicable law, repurchases may be made at such times and in such amounts as the Company deems appropriate. Repurchases may be discontinued at any time.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Amendment to Executive Severance Pay Plan

Effective as of July 29, 2021, the Company amended its Executive Severance Pay Plan (the "Severance Plan") to provide that the method of payment under the Severance Plan be changed from a lump sum method of payment to a salary continuation method of payment.

Under the Severance Plan, as amended, in the event an eligible employee of the Company ("Participant") is involuntarily terminated by the Company without cause or resigns from the Company for good reason and the Participant signs a waiver and release agreement in the form provided by the Company, then the Participant would be entitled to (i) severance consisting of continued base salary for a period of twelve (12) months; (ii) a lump sum payment approximating twelve (12) months of COBRA premiums for continued coverage under the Company's group health insurance plan, less the amount payable by an active employee for such coverage, plus an amount approximating the taxes on such payment; and (iii) his or her target annual bonus for the year in which the separation occurred.

In the event that the separation described in the preceding paragraph occurs within the two-year period following a change in control, the Participant would be entitled to severance consisting of continued base salary for a minimum of eighteen (18) months and a maximum of twenty-four (24) months, based on the Participant's employment title. The Participant would also receive an aggregate lump sum payment (i) approximating COBRA premiums (as described above) for the same number of

months for which the Participant is entitled to receive continued base salary and (ii) equivalent to a pro-rata portion of his or her target annual bonus for the year in which the separation occurred.

For purposes of the Severance Plan, a change in control includes (i) the acquisition by a third party of 35% or more of the Company's voting securities; (ii) the replacement of a majority of the Company's board during any twelve month period; or (iii) consummation by the Company of a reorganization, merger, or consolidation or sale of all or substantially all of the assets of the Company if the voting shareholders of the Company prior to the transaction cease to own more than 50% of the resulting or successor entity.

In the event that excise taxes under Section 280G of the Internal Revenue Code of 1986, as amended, would be imposed on payments under the Severance and Change-in-Control Agreements (the "Severance and CIC Agreements"), the payments above will be subject to reduction to the extent necessary such that an excise tax would no longer be payable.

All severance and change in control benefits described above (other than accrued benefits) are conditioned upon certain non-competition and non-solicitation restrictive covenants and execution of a full release of claims.

The foregoing description of the Severance Plan does not purport to be complete and is subject to and qualified in its entirety by reference to the Severance Plan, a copy of which is attached hereto as Exhibit 10.1, the terms of which are incorporated herein by reference.

Executive Severance and Change-in-Control Agreements

Also effective as of July 29, 2021, the Company entered into certain Severance and CIC Agreements with each of Messrs. Steven A. Michaels, Chief Executive Officer of the Company, Brian Garner, Chief Financial Officer of the Company, Curtis L. Doman, Chief Innovation Officer of the Company, and Marvin A. Fentress, General Counsel & Corporate Secretary of the Company (each, an "Executive"). The Severance and CIC Agreements will continue for a term of three years, automatically renewing for one-year periods after the initial term unless either party gives notice not to extend the term. Under each Severance and CIC Agreement, if an Executive's employment is terminated by the Company during the two-year period from the commencement of a change in control (as defined in the Severance and CIC Agreement) other than for cause (as defined in the Severance and CIC Agreement), disability or death, or if employment is terminated by an Executive for good reason (as defined in the Severance and CIC Agreement), the Executive shall receive (i) severance payments in a lump sum amount equal to two times the sum of (x) the Executive's annual salary plus (y) the Executive's target bonus; (ii) a lump sum cash bonus payment based on the average annual bonus earned by the Executive over the two years prior to the year in which the termination occurs, pro-rated based on the number of days in the year in which termination occurs that lapse prior to termination; (iii) a lump sum payment in an amount equal to two years' worth of the Executive's monthly COBRA premiums for continued coverage under the Company's group health insurance plan, in each case, payable on the sixtieth day following termination; and (iv) full vesting of all outstanding stock options, stock appreciation rights, restricted stock units and other equity based awards granted to Executive under any stock plan of the Company.

For purposes of the Severance and CIC Agreements, a change in control includes (i) the acquisition by a third party of 35% or more of the Company's voting securities; (ii) the replacement of a majority of the Company's board during any twelve month period; or (iii) consummation by the Company of a reorganization, merger, or consolidation or sale of all or substantially all of the assets of the Company if the voting shareholders of the Company prior to the transaction cease to own more than 50% of the resulting or successor entity.

In the event of termination by the Company other than for cause, disability or death, or termination by the Executive for good reason, in the absence of a change in control, or more than two years following a change in control, the Executive shall (i) receive continued salary for twenty-four months following termination plus bonus payments in an amount equal to one-twelfth of the Executive's target bonus in each of the twenty-four months following termination, payable no less frequently than on a monthly basis beginning on the sixtieth day following termination; (ii) vest in a pro rata portion of any stock options, restricted stock units and performance shares granted under any PROG stock plan that are subject to annual vesting (to the extent not already then vested) and that: (x) were granted at least twelve (12) months prior to the termination and (y) would otherwise vest on the next anniversary of their grant date; (iii) vest in a pro rata portion of any performance shares granted under any stock plan of the Company (to the extent not already then vested) and that (x) were granted at least twelve (12) months prior to the termination and (y) are subject to a performance period greater than twelve (12) months, with any such performance shares being settled when settled for similarly situated executives and remaining subject to the achievement of the applicable performance metrics.

In the event that excise taxes under Section 280G of the Internal Revenue Code of 1986, as amended, would be imposed on payments under the Severance and CIC Agreements, the payments above will be subject to reduction to the extent necessary such that an excise tax would no longer be payable.

All severance and change in control benefits described above (other than accrued benefits) are conditioned upon certain non-competition and non-solicitation restrictive covenants and execution of a full release of claims.

The foregoing summary of the Severance and CIC Agreement does not purport to be complete and is subject to and qualified in its entirety by reference to the Form of Severance and CIC Agreement, a copy of which is attached hereto as Exhibit 10.2.

ITEM 6. EXHIBITS

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
10.1*	Executive Severance Pay Plan, as amended, effective July 29, 2021.
10.2*	Form of Severance and Change-in-Control Agreement, effective as of July 29, 2021.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL 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 Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from this Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, formatted in Inline XBRL (included in Exhibit 101)

*Filed herewith.

SIGNATURES

Pursuant to the requirements 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.

PROG Holdings, Inc.
(Registrant)

Date: July 29, 2021

By: /s/ BRIAN GARNER
Brian Garner
Chief Financial Officer
(Principal Financial Officer)

Date: July 29, 2021

By: /s/ MATT SEWELL
Matt Sewell
Vice President, Financial Reporting
(Principal Accounting Officer)

Exhibit 10.1

EXECUTIVE SEVERANCE PAY PLAN
OF
PROG HOLDINGS, INC.

Effective as of July 29, 2021

SECTION I
Establishment and Purpose of Plan

I.1 PROG Holdings, Inc. (the "Company") hereby establishes the Executive Severance Pay Plan of PROG Holdings, Inc. (the "Plan"), effective as of July 29, 2021 (the "Effective Date"). The Plan shall continue in effect until terminated by the Company, subject to the provisions of Section X below.

I.2 The purposes of the Plan include (i) providing certain executives of the Company and/or any affiliate or subsidiary with severance pay benefits in the event of the termination of their employment, (ii) better enabling the Company and its affiliates and subsidiaries to attract and retain highly qualified executives, (iii) providing executives protection in the event of a change in control of the Company so that the executives are focused on pursuing transaction opportunities that are beneficial to shareholders, and (iv) retaining critical talent in the event of a potential change in control transaction.

SECTION II
Definitions

The following words and phrases shall have the meanings set forth below where used in the Plan, unless the context clearly indicates otherwise.

II.1 "Administrator" means the Company in its capacity as Plan "administrator" and "named fiduciary" within the meaning of ERISA. The Committee shall act as the Administrator unless and until it delegates such authority and responsibility to one or more officers or a committee.

II.2 "Annual Salary" means, with respect to a Participant, the Participant's annual base salary, exclusive of any bonus pay, commissions, overtime pay or other additional compensation, in effect at the time of his or her Separation from Service.

II.3 "Board" means the Board of Directors of the Company.

II.4 "Cause" means, unless provided otherwise in an individual agreement between the Executive and his or her Employer, with respect to an Executive:

(a) the commission by the Executive of an act of fraud, embezzlement, theft or proven dishonesty, or any other illegal act or practice (whether or not resulting in criminal prosecution or conviction);

(b) the willful engaging by the Executive in misconduct which is deemed by the Committee, in good faith, to be materially injurious to the Company or an affiliate or subsidiary of the Company, monetarily or otherwise;

(c) the willful and continued failure or habitual neglect by the Executive to perform his or her duties with the Company or an affiliate or subsidiary of the Company substantially in accordance with the operating and personnel policies and procedures of the Company, affiliate or subsidiary generally applicable to all of their employees.

For purposes of this Plan, no act or failure to act by the Executive shall be deemed to be "willful" unless done or omitted to be done by the Executive not in good faith and without reasonable belief that the Executive's action or omission was in the best interest of the Company and/or an affiliate or subsidiary of the Company. "Cause" under either (a), (b) or (c) shall be determined by the Committee in its sole discretion.

II.5 A "Change in Control" means:

(a) The acquisition (other than from the Company) by any person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended (but without regard to any time period specified in Rule 13d-3(d)(1)(i))), of thirty-five percent (35%) or more of the combined voting power of then outstanding securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); excluding, however, (1) any acquisition by the Company or (2) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company;

(b) A majority of the members of the Board is replaced during any twelve (12)-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of the appointment or election; or

(c) Consummation by the Company of a reorganization, merger, or consolidation or sale of all or substantially all of the assets of the Company (a "Transaction"); excluding, however, a Transaction pursuant to which all or substantially all of the individuals or entities who are the beneficial owners, respectively, of the Outstanding Company Voting Securities immediately prior to such Transaction will beneficially own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the outstanding securities of such corporation entitled to vote generally in the election of directors of the corporation resulting from such Transaction (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or indirectly) in substantially the same proportions relative to each other as their ownership, immediately prior to such Transaction, of the Outstanding Company Voting Securities.

Provided, however, a Change in Control shall not be deemed to occur unless the transaction also constitutes a change in the ownership or effective control of the

Company or a change in the ownership of a substantial portion of the assets of the Company, each as defined in Code Section 409A(a)(2)(A)(v) and the regulations promulgated thereunder.

II.6 "COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

II.7 "COBRA Charge" means the dollar amount of the Employer's monthly premium in effect for continued coverage under the Employer's group health insurance plan in which the Participant participates on the Executive's Termination Date, pursuant to the requirements of COBRA, less the administrative charge imposed by the Employer for such coverage, less the portion of the premium paid by an active employee for the type of coverage in effect for the Participant under such health plan on the Participant's Termination Date.

II.8 "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.

II.9 "Committee" means the Compensation Committee of the Board.

II.10 "Company" means PROG Holdings, Inc., its successors and assigns, or, following a Change in Control, the surviving entity resulting from such event.

II.11 "Employer" means the Company, or any affiliate or subsidiary of the Company that has adopted the Plan as a participating employer with the consent of the Company, as reflected on Exhibit B from time to time.

II.12 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

II.13 "Executive" means each executive of an Employer who has a title of President, Senior Vice President or Vice President or a similarly positioned senior officer who is designated by the Chief Executive Officer provided that the Chief Executive Officer does not participate in the Plan (or such other classification determined by the Committee from time to time) unless excluded from participation by the Committee or Section 3.1, and any other key employee of an Employer who is specifically designated on Exhibit A attached hereto as eligible to participate in the Plan by the Committee from time to time.

II.14 "Good Reason" shall mean, without an Executive's express written consent, the occurrence of any of the following circumstances within the two (2)-year period following the date of a Change in Control of the Company:

(a) A material diminution in the Executive's annual base salary other than as a result of an across-the-board base salary reduction similarly affecting other Executives;

(b) A material diminution in the Executive's authority, duties, or responsibilities;

(c) A material change in the geographic location at which the Executive must perform services for his or her Employer (for this purpose, the relocation of the Executive's principal office location to a location more than fifty (50) miles from its current location will be deemed to be material); or

(d) A material breach of this Plan by the Company;

provided that any of the events described above shall constitute Good Reason only if (i) Executive provides the Company written notice of the existence of the event or circumstances constituting Good Reason (with sufficient specificity for the Company to respond to such claim) within sixty (60) days of the initial existence of such event or circumstances, (ii) Executive cooperates in good faith with the Company's efforts to cure such event or circumstance for a period not less than thirty (30) days following Executive's notice to the Company (the "Cure Period"), (iii) notwithstanding such efforts, the Company or the Employer fails to cure such event or circumstances prior to the end of the Cure Period, and (iv) Executive terminates employment with the Company and all affiliates and subsidiaries of the Company within sixty (60) days after the end of the Cure Period.

II.15 "Involuntary Termination" means the termination of an Executive's employment by his or her Employer without Cause; provided that for purposes of determining eligibility for Severance Pay Benefits under Section 5.1 of the Plan, in no event shall Executive be deemed to have been subject to an Involuntary Termination if he or she is offered employment in a different role or position with the Company, or any affiliate or subsidiary of the Company, which the Committee in its sole discretion determines is a comparable position (taking into account total compensation, benefits and location), and the Executive refuses to accept such new role or position.

II.16 "Participant" means each Executive who is currently entitled to severance pay benefits under the Plan in the event of his or her Separation from Service.

II.17 "Plan" means this Executive Severance Pay Plan of PROG Holdings, Inc. and its successors as set forth in this document, as it may be amended from time to time.

II.18 "Section 409A" means Section 409A of the Code.

II.19 "Separation from Service" means an Executive's Involuntary Termination or, within two (2) years following the date of a Change in Control, the Executive's resignation of his or her employment with the Company and all affiliates and subsidiaries of the Company for Good Reason.

II.20 "Severance Pay Benefits" means the aggregate benefits payable to a Participant upon his or her Separation from Service, as determined pursuant to the provisions of Section V or VI below.

II.21 "Target Bonus" means (a) with respect to a Participant whose annual target bonus is expressed as a percentage of Annual Salary, the Participant's target annual bonus under his or her Employer's annual bonus program in which the Participant is covered at the time of his or

her Separation from Service, (b) with respect to a Participant whose annual target bonus is expressed as a fixed target value, the Participant's fixed target value under his or her Employer's annual bonus program in which the Participant is covered at the time of his or her Separation from Service, and (c) with respect to all other Participants, the average of the Participant's actual annual bonus payouts for each of the two (2) years prior to the year of the Participant's Separation from Service.

II.22 "Termination Date" means the date of the Participant's Separation from Service.

II.23 "Waiver and Release Agreement" means an agreement prepared by the Company, with terms satisfactory to the Company in its sole discretion, which will include, among other provisions, a legally-binding general waiver of claims against the Company and its affiliates and subsidiaries, a deadline for the Executive's delivery of the Waiver and Release Agreement to the Company, a deadline for the Executive's revocation of the Waiver and Release Agreement (if applicable), and affirmative and negative covenants (which may include, but which are not limited to, covenants regarding confidentiality, non-solicitation, non-disparagement and non-competition). Different forms of the Waiver and Release Agreement may be used from one business unit to another, from one state to another, and from one Executive to another, as determined by the Company in its sole discretion.

SECTION III
Participation; Contributions; General Provisions

III.1 An Executive who has not entered into an individual employment or severance agreement with his or her Employer that provides for severance benefits will become a Participant in the Plan upon his or her Separation from Service. An Executive who has entered into an individual employment or severance agreement with his or her Employer that provides for severance benefits will not participate in the Plan; the severance benefits, if any, to which such an Executive is entitled from his or her Employer will be determined solely in accordance with the terms of such individual employment or severance agreement.

III.2 If an Executive is rehired by the Company or an affiliate or subsidiary of the Company while receiving benefits under this Plan, any remaining, unpaid Severance Pay Benefits shall be forfeited upon rehire, and no additional benefits shall be paid.

III.3 The Employer will pay the entire cost of all benefits provided under the Plan, solely from its general assets. The Plan is "unfunded," and no Executive is required to make any contribution to the Plan.

III.4 This Plan is not intended to constitute an "employee pension benefit plan" within the meaning of Section 3 of ERISA and the corresponding Department of Labor regulations and other guidance.

SECTION IV
Waiver and Release Agreement

A Participant's entitlement to Severance Pay Benefits is conditioned upon the Participant's execution and submission to the Administrator of, and failure to revoke, a Waiver and Release Agreement. The Administrator will present the Waiver and Release Agreement to a Participant at the time of the Participant's Separation from Service. Failure to submit the signed Waiver and Release Agreement to the Administrator by the deadline, or revocation of a signed Waiver and Release Agreement, will render the Participant ineligible for Severance Pay Benefits. In addition, if a Participant breaches the terms of a Waiver and Release Agreement, the Participant shall not be eligible for any further Severance Pay Benefits and may be required to repay any Severance Pay Benefits already paid to the Participant.

SECTION V
Severance Pay Benefits

A Participant shall be entitled to Severance Pay Benefits in accordance with the terms of either Section 5.1 or 5.2 below. A Participant's Severance Pay Benefits may be reduced or subject to forfeiture or recoupment upon the breach of any agreement with the Company or Employer, as determined by the Administrator.

V.1 Termination other than in Connection with a Change in Control. A Participant shall be entitled to the following benefits in the event of his or her Separation from Service if Section 5.2 does not apply to the Participant and if the Participant timely signs, submits to the Company and, if applicable, does not revoke a Waiver and Release Agreement as described in Section 4 above:

(a) Salary Benefits. The Participant's Employer shall continue to pay the Participant an amount equal to his or her Annual Salary in effect immediately prior to his or her Termination Date for a period of twelve (12) months following his or her Termination Date, subject to Section 5.3(a).

(b) COBRA Premiums. The Participant's Employer will pay the Participant a lump sum payment equal to the monthly COBRA Charge, multiplied by twelve (12) (the number of months during which the Participant is entitled to salary continuation payments), grossed up for the estimated taxes payable on such payment (as determined by the Company).

(c) Annual Bonus. In addition to the amounts set forth in Sections 5.1(a) and (b) above, the Participant's Employer will pay the Participant an amount equal to the Participant's Target Bonus under the Employer's annual bonus plan for the fiscal year of the Participant's Separation from Service, payable in substantially equal installments over a period of twelve (12) months in accordance with Section 5.3(a). Notwithstanding the above, this Section 5.1(c) is not intended to provide the Participant with duplicative benefits and shall not apply to the extent that pursuant to the terms of the annual bonus plan, the Participant has received or is already entitled to receive a payment under or with

respect to such annual bonus plan for the fiscal year of the Participant's Separation from Service.

V.2 Termination in Connection with a Change in Control. A Participant shall be entitled to the following benefits in the event of his or her Separation from Service within the two (2)-year period following the effective date of a Change in Control if the Participant timely signs, submits to the Company and, if applicable, does not revoke a Waiver and Release Agreement as described in Section 4 above:

(a) Salary Benefits. A Participant who is employed by the Employer shall be entitled to receive the amount of severance pay based on the Participant's title as indicated in the chart below. Any other Participant who is specifically designated by the Committee as eligible to participate in the Plan from time to time shall be entitled to receive the amount of severance pay indicated on Exhibit A.

Title	**Amount of Severance Pay**
President	24 months of Annual Salary + 24 months of Target Bonus
Senior Vice President, Vice President and similarly positioned senior officers who are designated by the Chief Executive Officer in accordance with Section 2.13	18 months of Annual Salary + 18 months of Target Bonus

(b) COBRA Premiums. The Participant's Employer will pay the Participant a lump sum amount equal to the monthly COBRA Charge, multiplied by the number of months during which the Participant is entitled to salary continuation payments as provided in the table in Section 5.2(a) above, grossed up for the estimated taxes payable on such payment (as determined by the Company).

(c) Annual Bonus. In addition to the amounts set forth in Sections 5.2(a) and (b) above, the Participant's Employer will pay the Participant a lump sum amount equal to the Participant's Target Bonus under the Employer's annual bonus plan for the fiscal year of the Participant's Separation from Service, prorated based on the number of days completed in the year as of the Termination Date. Notwithstanding the above, this Section 5.2(c) is not intended to provide the Participant with duplicative benefits and shall not apply to the extent that in connection with the Change in Control or pursuant to the terms of the annual bonus plan, the Participant has received or is already entitled to receive a payment under or with respect to such annual bonus plan for the fiscal year of the Participant's Separation from Service.

V.3 Payment of Severance Pay Benefits

(a) The salary continuation benefits payable to a Participant under Section 5.1(a) or Section 5.2(a) and the annual bonus payable to a Participant under Section 5.1(c) above shall be paid to the Participant in accordance with the Employer's standard payroll schedule for the payment of base salary to executives, in substantially equal installments over the specified number of months (e.g., twelve (12) months under Section 5.1(a) and Section 5.1(c) or eighteen (18) or twenty-four (24) months under Section 5.2(a)). Payment will begin on the sixtieth (60th) day following the Participant's Termination Date, with a lump sum catch-up payment made at that time in an amount equal to the aggregate amount of payments that would have been paid through such date had payments commenced on the Participant's Termination Date. Notwithstanding the foregoing, to the extent that the salary benefits or annual bonus payable to a Participant under Section 5.1(a), Section 5.2(a) or Section 5.1(c) above are not exempt from Section 409A of the Code, such salary benefits or annual bonus shall be paid to the Participant in the original payment form specified under the Plan, except as otherwise permitted by Section 409A of the Code.

(b) The lump sum payment for COBRA Premiums payable under Section 5.1(b) or Section 5.2(b) and the lump sum payment of bonus payable under Section 5.2(c) will be paid to the Participant in a lump sum in cash on the sixtieth (60th) day following the date of the Participant's Termination Date.

(c) The amount of the Severance Pay Benefits payable to a Participant that are exempt from Section 409A may be reduced, in the sole discretion of the Administrator, by any debt of the Participant to the Employer arising out of the employment relationship between the Participant and the Employer.

(d) The Employer shall deduct from the Severance Pay Benefits to be paid to a Participant or any beneficiary all federal, state and local withholding and other taxes and charges required to be deducted under applicable law.

V.4 Restrictive Covenants. In consideration of the Severance Pay Benefits payable to a Participant under Section 5.1 or Section 5.2 above, the Participant shall be required to agree to certain covenants including, without limitation, covenants regarding maintaining the Employer's confidential information, refraining from soliciting the Employer's employees, suppliers, and customers, refraining from competing with the Employer, and refraining from making disparaging remarks, all of which shall be set forth in the Waiver and Release Agreement. If a Participant violates any of the provisions in the Waiver and Release Agreement, such Participant shall immediately forfeit his right to receive any Severance Pay Benefits, the Employer shall have no further obligation to make any payment of Severance Pay Benefits to such Participant, and such Participant shall be obligated to repay any Severance Pay Benefits already paid pursuant to the Plan.

V.5 Section 280G Limitation. Notwithstanding any provision of this Plan to the contrary, if any payment or benefit to be paid or provided hereunder would be a "Parachute

Payment," within the meaning of Section 280G of the Code, or any successor provision thereto, but for the application of this sentence, then the payments and benefits to be paid or provided hereunder shall be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes a Parachute Payment; provided, however, that the foregoing reduction shall not be made if the total of the unreduced aggregate payments and benefits to be provided to Executive, determined on an after-tax basis (taking into account the excise tax imposed pursuant to Section 4999 of the Code, or any successor provision thereto, any tax imposed by any comparable provision of state law, and any applicable federal, state and local income taxes), exceeds by at least ten percent (10%) the total after-tax amount of such aggregate payments and benefits after application of the foregoing reduction. The determination of whether any reduction in such payments or benefits to be provided hereunder is required pursuant to the preceding sentence shall be made at the expense of the Company, if requested by Executive or the Company, by the Company's independent accountants. The fact that Executive's right to payments or benefits may be reduced by reason of the limitations contained in this Section shall not of itself limit or otherwise affect any other rights of Executive under this Agreement. In the event that any payment or benefit intended to be provided hereunder is required to be reduced pursuant to this Section and no such payment or benefit qualifies as a "deferral of compensation" within the meaning of and subject to Section 409A ("Nonqualified Deferred Compensation"), Executive shall be entitled to designate the payments and/or benefits to be so reduced in order to give effect to this Section. The Company shall provide Executive with all information reasonably requested by Executive to permit Executive to make such designation. In the event that any payment or benefit intended to be provided hereunder is required to be reduced pursuant to this Section and any such payment or benefit constitutes Nonqualified Deferred Compensation or Executive fails to elect an order in which payments or benefits will be reduced pursuant to this Section, then the reduction shall occur in the following order: (a) reduction of cash payments described in Sections 5.1 or 5.2 (with such reduction being applied to the payments in the reverse order in which they would otherwise be made, that is, later payments shall be reduced before earlier payments); (b) cancellation of acceleration of vesting on any equity awards for which the exercise price exceeds the then fair market value of the underlying equity; and (c) cancellation of acceleration of vesting of equity awards not covered under (c) above. Within any category of payments and benefits (that is, (a), (b) or (c)), a reduction shall occur first with respect to amounts that are not Nonqualified Deferred Compensation within the meaning of Internal Revenue Code Section 409A and then with respect to amounts that are. In the event that acceleration of vesting of equity awards is to be cancelled, such acceleration of vesting shall be cancelled in the reverse order of the date of grant of such equity awards, that is, later equity awards shall be canceled before earlier equity awards.

SECTION VI
Special Severance Arrangements

The Administrator may in its sole discretion make exceptions to the severance pay guidelines set forth in this document at any time in its sole discretion. As a result, it is possible that an Executive will not receive severance benefits in a circumstance otherwise covered by this document; it is possible that the severance benefits of a Participant may be different than the terms set forth in this document; and it is possible that an employee of the Company or its

affiliates or subsidiaries who is not otherwise eligible for severance benefits may be designated as a Participant and awarded severance benefits under this Plan.

SECTION VII
Death Benefits

Upon the death of any Participant after his Termination Date and prior to his or her having received all of his or her Severance Pay Benefits, any unpaid amount of the Severance Pay Benefits shall be paid in a single lump sum to the Participant's spouse, or if the Participant has no surviving spouse at the time such payment is to be made, to the Participant's estate, within ninety (90) days after the date of the Participant's death.

SECTION VIII
Rights and Duties of Participants

VIII.1 No Participant or any other person shall have any interest in any fund or in any specific asset or assets of the Employers by reason of any amounts or benefits payable under the Plan. Any Executive, former Executive, Participant, former Participant, or other individual, person, entity, representative, or group of one or more of the foregoing (collectively, a "Claimant") under this Plan shall have the status of a general unsecured creditor of the Employer.

VIII.2 Every person receiving or claiming payments under the Plan shall be conclusively presumed to be mentally competent until the date on which the Administrator receives a written notice in a form and manner acceptable to the Administrator that such person is incompetent and that a guardian, conservator or other person legally vested with the interest of his or her estate has been appointed. In the event a guardian or conservator of the estate or any person receiving or claiming payments under the Plan shall be appointed by a court of competent jurisdiction, payments under this Plan may be made to such guardian or conservator provided that the proper proof of appointment and continuing qualification is furnished in a form and manner acceptable to the Administrator. Any such payments so made shall be a complete discharge of any liability or obligation of the Employer or Administrator regarding such payments.

VIII.3 Each person entitled to receive a payment under this Plan, whether a Participant, a duly designated beneficiary, a guardian or otherwise, shall provide the Administrator with such information as it may from time to time deem necessary or in its best interest in administering the Plan. Any such person shall also furnish the Administrator with such documents, evidence, data or other information as the Administrator may from time to time deem necessary or advisable.

SECTION IX
Administrator

IX.1 The Plan shall be administered by the Administrator. The Administrator may designate a committee or individual to carry out one or more of the Administrator's responsibilities as Administrator. Any reference in this document to the "Administrator" shall be deemed to include any such committee or individual. An Executive who is such an individual or a member of such committee shall not participate in any decision involving an election made by

him or relating in any way to his individual rights, duties and obligations as a Participant under the Plan.

IX.2 The Administrator shall have absolute and exclusive discretionary authority to decide all questions of eligibility for benefits and to determine the amount of such benefits, to establish rules, forms and procedures for the administration of the Plan, to construe and interpret any and all provisions of the Plan, including but not limited to the discretion to resolve ambiguities, inconsistencies, or omissions conclusively and to decide any and all questions of fact, interpretation, definition, computation or administration arising in connection with the operation of this Plan. As a result, benefits under the Plan will be paid only if the Administrator determines in its discretion that the Participant (or other Claimant) is entitled to them. All determinations of the Administrator in matters within its jurisdiction, irrespective of their character or nature, including, but not limited to, all questions of equity, construction and interpretation, including resolution of any ambiguity in the Plan, shall be final, binding and conclusive on all parties. In construing or applying the provisions of the Plan, the Administrator shall have the right to rely upon a written opinion of legal counsel, which may be independent legal counsel or legal counsel regularly employed by the Company, whether or not any question or dispute has arisen as to any distribution from the Plan. Any interpretation or determination made pursuant to such discretionary authority shall be upheld on judicial review, unless it is shown that the interpretation or determination was arbitrary and capricious or an abuse of discretion.

IX.3 The Administrator shall be responsible for maintaining books and records for the Plan.

SECTION X
Amendment or Termination

The Company hereby reserves the right to (and may, at any time, through action of the Board, the Committee or either entity's delegate) amend, modify, terminate or discontinue the Plan at any time, provided, however, that no amendment or termination of, or discontinuance of participation in, the Plan will decrease the amount of any Severance Pay Benefits awarded but not yet fully paid to a Participant prior to the date of such amendment or termination without the written consent of the Participant and no such amendment that would have a material adverse effect on an Executive shall be effective until the one (1)-year anniversary of the date such amendment is adopted, unless the Executive provides written consent to such amendment. In addition, for the two (2)-year period following the date of a Change in Control, the Company may not amend, modify, terminate or discontinue the Plan in any manner that is materially adverse to an Executive, unless the Executive provides written consent to such amendment.

SECTION XI
Not a Contract of Employment

This Plan shall not be deemed to constitute a contract of employment between an Executive and the Employer, nor shall any provision hereof restrict the right of the Employer to

discharge an Executive or to restrict the right of an Executive to terminate his or her employment.

SECTION XII
Claims Procedure

XII.1 A Claimant may make a claim for benefits under the Plan by filing a written claim with the Administrator. Determinations of each such claim shall be made as described below; provided, however, that the Claimant and the Administrator may agree to extended periods of time for making determinations beyond those periods described below.

XII.2 The Administrator will notify a Claimant of its decision regarding his claim within a reasonable period of time, but not later than ninety (90) days following the date on which the claim is filed, unless special circumstances require a longer period for processing of the claim and the Claimant is notified in writing of the reasons for an extension of time prior to the end of the initial ninety (90) day period and the date by which the Administrator expects to make the final decision. In no event will the Administrator be given an extension for processing the claim beyond one hundred eighty (180) days after the date on which the claim is first filed with the Administrator unless otherwise agreed in writing by the Claimant and the Administrator.

XII.3 If a claim is denied, the Administrator will notify the Claimant of its decision in writing. Such notification will be written in a manner calculated to be understood by the Claimant and will contain the following information: the specific reason(s) for the denial; a specific reference to the Plan provision(s) on which the denial is based; a description of additional information necessary for the Claimant to perfect his claim, if any, and an explanation of why such material is necessary; and an explanation of the Plan's claim review procedure and the applicable time limits under such procedure and a statement as to the Claimant's right to bring a civil action under ERISA after all of the Plan's review procedures have been satisfied.

XII.4 The Claimant shall have sixty (60) days following receipt of the notice of denial to file a written request with the Administrator for a review of the denied claim. The decision by the Administrator with respect to the review must be given within sixty (60) days after receipt of the request, unless special circumstances require an extension and the Claimant is notified in writing of the reasons for an extension of time prior to the end of the initial sixty (60) day period and the date by which the Administrator expects to make the final decision. In no event will the decision be delayed beyond one hundred twenty (120) days after receipt of the request for review unless otherwise agreed in writing by the Claimant and the Administrator.

XII.5 Every Claimant will be provided a reasonable opportunity for a full and fair review of an adverse determination. A full and fair review means the following: the Claimant will be given the opportunity to submit written comments, documents, records, etc. with regard to the claim, and the review will take into account all information submitted by the Claimant, regardless of whether it was reviewed as part of the initial determination; and the Claimant will be provided, upon request and free of charge, with copies of all documents and information relevant to the claim for benefits.

XII.6 The Administrator will notify the Claimant of its decision regarding an appeal of a denied claim in writing. The decision will be written in a manner calculated to be understood by the Claimant, and will include: the specific reason(s) for the denial and adverse determination; a reference to the specific Plan provisions on which the denial is based; a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all information relevant to the Claimant's claim for benefits; and a statement regarding the Claimant's right to bring a civil action under ERISA.

XII.7 If the Administrator fails to follow these procedures consistent with the requirements of ERISA with respect to any claim, the Claimant will be deemed to have exhausted all administrative remedies under the Plan and will have the right to bring a civil action under Section 502(a) of ERISA. This Article XII shall be interpreted such that the claims procedures applicable under the Plan conform to the claims review requirements of Part 5, Title I, of ERISA, and the applicable provisions set forth in Department of Labor Regulation Section 2560.503-1.

XII.8 Before filing any claim or action, the Claimant must first fully exhaust all of the Claimant's actual or potential rights under the claims procedures of Article XII, including such rights as the Administrator may choose to provide in connection with novel claims or issues or in particular situations. For purposes of the prior sentence, any Claimant that has any claim, issue or matter that implicates in whole or in part –

(a) The interpretation of the Plan,

(b) The interpretation of any term or condition of the Plan,

(c) The interpretation of the Plan (or any of its terms or conditions) in light of applicable law,

(d) Whether the Plan or any term or condition under the Plan has been validly adopted or put into effect, or

(e) Any claim, issue or matter deemed similar to any of the foregoing by the Administrator,

(or two or more of these) shall not be considered to have satisfied the exhaustion requirement of this Section 12.8 unless the Claimant first submits the claim, issue or matter to the Administrator to be processed pursuant to the claims procedures of Section 12.1 or to be otherwise considered by the Administrator, and regardless of whether claims, issues or matters that are not listed above are of greater significance or relevance. The exhaustion requirement of this Section 12.8 shall apply even if the Administrator has not previously defined or established specific claims procedures that directly apply to the submission and consideration of such claim, issue or matter, and in which case the Administrator (upon notice of the claim, issue or matter) shall either promptly establish such claims procedures or shall apply (or act by analogy to) the claims procedures of Section XII that apply to claims for benefits. Upon review by any court or other

tribunal, this exhaustion requirement is intended to be interpreted to require exhaustion in as many circumstances as possible (and any steps necessary to effect this intent should be taken).

XII.9 Any claim or action that is filed in court against or with respect to the Plan, Administrator, or Employer must be filed within the applicable time frame that relates to the claim or action, as follows:

(a) Claims or actions for Severance Pay Benefits must be filed within two (2) years of the later of the date the Participant received the Severance Pay Benefits or the date of the Claimant's Separation from Service.

(b) For all other claims or actions, the claim or action must be filed within two (2) years of the date when the Claimant knew or should have known of the actions or events that gave rise to the claim or action.

Any claim or action filed after the applicable time frame stated above will be void.

XII.10 Any claim or action in connection with the Plan must be filed in the United States District Court of the District of Utah.

XII.11 If a claim for benefits arises during the twenty-four (24)-month period following the date of a Change in Control, the Company shall pay or reimburse Executive for all reasonable costs (including reasonable legal fees) incurred by the Executive to enforce his rights under this Plan if the Executive prevails on at least one material issue with respect to such claims.

SECTION XIII
Construction and Expense

XIII.1 Whenever the context so requires, words in the masculine include the feminine and words in the feminine include the masculine and the definition of any term in the singular may include the plural.

XIII.2 All expenses of administering the Plan shall be paid by the Company unless provided herein to the contrary.

XIII.3 The Plan shall be construed, administered and governed in all respects under and by the applicable laws of the State of Utah, except to the extent preempted by ERISA.

XIII.4 An Executive may not rely upon any oral statement regarding the Plan.

XIII.5 This Plan and any properly adopted amendments shall be binding on the parties hereto and their respective heirs, administrators, trustees, successors, and assignees and on all Beneficiaries of the Participant.

XIII.6 Service of legal process may be made upon the Administrator at the Company headquarters or upon such other person as may be designated by the Company for this purpose.

XIII.7 The records of the Plan will be maintained on the basis of a year that begins each January 1 and ends the next following December 31.

XIII.8 The Company intends that all benefits provided under this Plan shall either be exempt from or comply with Section 409A. However, the Administrator shall operate this Plan in accordance with the requirements of Section 409A and the corresponding Department of Treasury guidance with respect to those benefits provided under this Plan that are, in fact, subject to Section 409A. In order to ensure compliance with Section 409A, the provisions of this Section 13.8 shall govern in all cases over any contrary or conflicting provision in the Plan.

(a) It is the intent of this Plan to comply with the requirements of Section 409A and the corresponding Department of Treasury guidance with respect to any nonqualified deferred compensation subject to Section 409A, and any ambiguities in the Plan will be interpreted and this Plan will be applied to comply with these requirements with respect to such compensation.

(b) To the extent necessary to comply with Section 409A, references in this Plan to “termination of employment” or “terminates employment” (and similar references) shall have the same meaning as “separation from service” under Section 409A(a)(2)(A)(i), and no payment subject to Section 409A that is payable upon a termination of employment shall be paid unless and until the Participant incurs a “separation from service” under Section 409A(a)(2)(A)(i) (a “409A Separation from Service”). In addition, if the Participant is a “specified employee” within the meaning of Section 409A(a)(2)(B)(i) at the time of his or her 409A Separation from Service, any nonqualified deferred compensation subject to Section 409A that would otherwise have been payable on account of, and within the first six (6) months following, the Participant’s 409A Separation from Service, and not by reason of another event under Section 409A(a)(2)(A), will become payable on the first business day after six (6) months following the date of the Participant’s 409A Separation from Service or, if earlier, the date of the Participant’s death.

(c) Each installment payment of the salary continuation benefits payable pursuant to Section 5.3 and each other payment payable under Section 5.1 or 5.2 above is a separate payment within the meaning of the final regulations under Section 409A. Each such payment that is made within two and one-half (2-1/2) months following the end of the year that contains the date of the Participant’s Separation from Service is intended to be exempt from Section 409A as a short-term deferral within the meaning of the final regulations under Section 409A; each other payment is intended to be exempt under the two-times compensation exemption of Treasury Reg. § 1.409A-1(b)(9)(iii) up to the limitation on the availability of that exemption specified in the regulation; and each payment that is not exempt from Section 409A shall be subject to delay (if necessary) in accordance with subsection (b) above.

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IN WITNESS WHEREOF, this Plan has been executed by a duly authorized officer of the Company to be effective as of the Effective Date.

PROG HOLDINGS, INC.

By: /s/ Steven A. Michaels
Name: Steven A. Michaels
Title: President and Chief Executive Officer

Exhibit 10.2

SEVERANCE AND CHANGE-IN-CONTROL AGREEMENT

THIS SEVERANCE AND CHANGE-IN-CONTROL AGREEMENT (this "Agreement"), dated as of ______________________, 2021 (the "Effective Date"), is made by and between PROG Holdings, Inc., a corporation organized under the laws of the State of Georgia ("PROG") and [●] ("Executive").

WHEREAS, the Board of Directors of PROG (the "Board") has determined that it is in the best interests of PROG and its stockholders to assure that PROG and its affiliates will have the continued dedication and objectivity of Executive, notwithstanding the possibility, threat or occurrence of a termination of employment or the occurrence of a Change in Control (as defined hereinbelow) of PROG;

WHEREAS, the Board believes that it is in the best interests of PROG and its stockholders to provide Executive with an incentive to continue Executive's employment and to motivate Executive to maximize the value of PROG for the benefit of its stockholders;

WHEREAS, the Executive is employed by Prog Leasing, LLC, a subsidiary of PROG; and

WHEREAS, the Board further believes that it is imperative to provide Executive with certain severance benefits upon Executive's termination of employment and with certain additional benefits upon a Change in Control to provide Executive with enhanced financial security and incentive to remain with PROG and its affiliates.

NOW, THEREFORE, in consideration of the promises, agreements and conditions contained in this Agreement, PROG and Executive agree as follows:

SECTION I
DEFINITIONS

For the purposes of this Agreement the following definitions shall apply:

I.1 "Accrued Obligations" means the sum of (a) Executive's Annual Salary through the Date of Termination to the extent not already paid, and (b) Executive's business expenses that are reimbursable in accordance with the Company Group's policies and for which Executive submits for reimbursement within thirty (30) calendar days following the Date of Termination, but have not been reimbursed by the Company Group as of the Date of Termination.

I.2 "Affiliate" means any entity controlled by, controlling, or under common control with, PROG or the Company.

I.3 "Annual Bonus" means Executive's annual bonus under the Company's or an Affiliate's annual bonus program, as in effect from time to time, in which Executive is covered, if any.

I.4 "Annual Salary" means Executive's annual base salary, exclusive of any bonus pay, commissions or other additional compensation, in effect on the Date of Termination.

I.5 "Cause" means:

(a) the commission by Executive of an act of fraud, embezzlement, theft or proven dishonesty, or any other illegal act or practice (whether or not resulting in criminal prosecution or conviction);

(b) the willful engaging by Executive in misconduct which is deemed by the Board, in good faith, to be materially injurious to any member of the Company Group, monetarily or otherwise; or

(c) the willful and continued failure or habitual neglect by Executive to perform Executive's duties with the Company Group, as applicable substantially in accordance with the operating and personnel policies and procedures of the Company Group generally applicable to all of their respective employees.

No act or failure to act by Executive shall be deemed to be "willful" unless done or omitted to be done by Executive not in good faith and without reasonable belief that Executive's action or omission was in the best interest of the Company Group. "Cause" under (a), (b) or (c) shall be determined by the Board in its sole discretion.

I.6 "Change in Control" means:

(a) The acquisition (other than from PROG) by any person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended (but without regard to any time period specified in Rule 13d-3(d)(l)(i))), of thirty-five percent (35%) or more of the combined voting power of then outstanding securities of PROG entitled to vote generally in the election of directors (the "Outstanding PROG Voting Securities"); excluding, however, (i) any acquisition by PROG or (ii) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by any member of the Company Group;

(b) A majority of the members of the Board is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of the appointment or election; or

(c) Consummation by PROG of a reorganization, merger, or consolidation or sale of all or substantially all of the assets of PROG ("Transaction"); excluding, however, a Transaction pursuant to which all or substantially all of the individuals or entities who are the beneficial owners, respectively, of the Outstanding PROG Voting Securities immediately prior to such Transaction will beneficially own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the outstanding securities of such corporation entitled to vote generally in the election of directors of the corporation resulting from such Transaction (including, without limitation, a corporation which as a result of such Transaction owns PROG

or all or substantially all of PROG's assets either directly or indirectly) in substantially the same proportions relative to each other as their ownership, immediately prior to such Transaction, of the Outstanding PROG Voting Securities.

Provided, however, a Change in Control shall not be deemed to occur unless the Transaction also constitutes a change in the ownership or effective control of PROG or a change in the ownership of a substantial portion of the assets of PROG, each as defined in Section 409A(a)(2)(A)(v) of the Code and the regulations promulgated thereunder.

I.7 "Change in Control Protection Period" means the period commencing on a Change in Control and ending on the second anniversary thereof.

I.8 "COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended from time to time.

I.9 "Code" means the Internal Revenue Code of 1986, as amended from time to time.

I.10 "Company Group" means PROG, the Company and their respective Affiliates.

I.11 "Date of Termination" means the effective date of Executive's termination of employment with the Company Group.

I.12 "Disability" shall be deemed the reason for the termination by the Company Group of Executive's employment if Executive, due to physical or mental injury or illness, is unable to perform the essential functions of Executive's position with or without reasonable accommodation for a period of one hundred eighty (180) days, whether or not consecutive, occurring within any period of twelve (12) consecutive months, subject to any limitation imposed by federal, state or local laws, including, without limitation, the Americans with Disabilities Act. Eligibility for disability benefits under any policy for long-term disability benefits provided to Executive by the Company Group, or a determination of total disability by the Social Security Administration, shall conclusively establish Executive's Disability. Any purported termination for Disability that does not follow the notice provisions set forth in Section 1.15 shall be deemed not to be a termination for Disability.

I.13 "Good Reason" means, without Executive's express written consent, the occurrence of any of the following circumstances:

(a) A material diminution in Executive's Annual Salary other than as a result of an across-the-board base salary reduction similarly affecting other executives of the Company;

(b) A material diminution in Executive's authority, duties, or responsibilities;

(c) A material change in the geographic location at which Executive must perform services for the Company Group (for this purpose, the relocation of Executive's principal office location to a location more than fifty (50) miles from its current location will be deemed to be material); or

(d) A material breach of this Agreement by PROG;

provided that any of the events described above shall constitute Good Reason only if (i) Executive provides PROG written notice of the existence of the event or circumstances constituting Good Reason (with sufficient specificity for PROG to respond to such claim) within sixty (60) days of the initial existence of such event or circumstances, (ii) Executive cooperates in good faith with the Company Group's efforts to cure such event or circumstance for a period not less than thirty (30) days following Executive's notice to PROG (the "Cure Period"), (iii) notwithstanding such efforts, the Company Group fails to cure such event or circumstances prior to the end of the Cure Period, and (iv) Executive terminates employment with the Company Group within sixty (60) days after the end of the Cure Period.

I.14 "Notice of Termination" means the written notice of termination of Executive's employment that is communicated in accordance with Section VIII of the Agreement. If the Company Group terminates Executive for Cause or Disability, the Notice of Termination shall specify in reasonable detail the grounds for the termination for Cause or Disability; provided that Executive's employment shall terminate immediately upon Executive's death and a Notice of Termination shall not be required.

I.15 "Section 409A" shall mean Section 409A of the Code and any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Section 409A by the U.S. Department of Treasury.

I.16 "Target Bonus" means Executive's annual target bonus under the Company's or Affiliate's annual bonus program, as in effect from time to time, in which Executive is covered, if any.

SECTION II
TERM OF AGREEMENT

II.1 This Agreement shall become effective on the Effective Date and shall continue in effect for a three (3) year term (the "Term"). To the extent not previously terminated, the Term shall be automatically renewed for successive one (1) year periods upon the terms and conditions set forth herein, commencing at the end of the initial Term, and on each annual anniversary thereafter, unless either party gives the other party notice at least ninety (90) calendar days prior to the end of such initial or applicable renewal Term that the Term shall not be so extended. For purposes of this Agreement, any reference to the "Term" of this Agreement shall include the original term and any renewal thereof. Notwithstanding the foregoing, upon the execution of a definitive agreement for a Change in Control or the consummation of a Change in Control, the Term shall be automatically extended so that the Term shall continue in full force and effect until the second anniversary of the consummation of the Change in Control. If the definitive agreement for the Change in Control is terminated prior to consummation, the automatic extension described in the previous sentence shall not apply. Executive's employment with the Company is "at will" and may be terminated by the Company for any reason in its sole and absolute discretion in accordance with any applicable provision of Section III and the payment or provision of such benefits as may be required under this Agreement.

SECTION III
SEVERANCE PAYMENTS AND BENEFITS

III.1 Change in Control Protection Period.

(a) During the Term, if, during a Change in Control Protection Period, (1) the Company Group shall terminate Executive’s employment other than for Cause, Disability or death, or (2) Executive shall terminate employment for Good Reason, then PROG shall pay or provide the following amounts and benefits to Executive, in addition to the Accrued Obligations:

(i) Severance Payments. On the sixtieth (60th) day following the Date of Termination, Executive will be paid a lump sum payment in an amount equal to two (2) times the sum of (x) Executive’s Annual Salary in effect immediately prior to the Date of Termination or, if higher, immediately prior to the Change in Control, plus (y) Executive’s Target Bonus in effect immediately prior to the Date of Termination or, if higher, immediately prior to the Change in Control.

(ii) Bonus for Year of Termination. On the sixtieth (60th) day following the Date of Termination, Executive will be paid a lump sum cash payment in an amount equal to the product of (x) the average Annual Bonus earned by Executive for the two (2) calendar years immediately preceding the year in which the Date of Termination occurs, and (y) a fraction, the numerator of which is the number of days from January 1 of the year during which the Date of Termination occurs to the Date of Termination and the denominator of which is three hundred and sixty five (365).

(iii) COBRA Payments. On the sixtieth (60th) day following the Date of Termination, Executive will be paid a lump sum payment in an amount equal to the product of (x) Executive’s monthly premium amount for health insurance continuation coverage for Executive and Executive’s eligible dependents under COBRA (based on the monthly premium rate for such coverage in effect on the Date of Termination) and (y) twenty four (24).

(iv) Stock Options and Other Equity Awards. As of the Date of Termination, any and all outstanding stock options, stock appreciation rights, restricted stock units and other equity based awards granted to Executive under any PROG stock plan shall become fully vested (to the extent not already then vested) and exercisable or settled, as applicable, to the extent provided under the terms of the applicable PROG stock plan and award agreements.

In the event of Executive’s death following the Date of Termination and before all payments or benefits Executive is entitled to receive under this Section 3.1 have been paid, such

unpaid amounts will be paid to Executive's estate in a lump-sum payment within thirty (30) days following Executive's death.

(b) If (i) Executive is terminated by the Company Group without Cause, or an event constituting Good Reason occurs, following the public announcement of a definitive agreement that, when consummated, would constitute a Change in Control, and (ii) such Change in Control is consummated, then the termination or event constituting Good Reason will be deemed to occur within the Change in Control Protection Period, and Executive may exercise Executive's rights under Section 3.1 following the consummation of such Change in Control.

III.2 Outside of Change in Control Protection Period.

(a) If, during the Term, (1) the Company Group shall terminate Executive's employment other than for Cause, Disability or death, or (2) Executive shall terminate employment for Good Reason, in either case other than during a Change in Control Protection Period, then PROG shall pay or provide the following amounts and benefits to Executive, in addition to the Accrued Obligations:

(i) Annual Salary and Target Bonus Continuation Payments. Commencing on the Company's first normal payroll date that is on or immediately follows the sixtieth (60th) day following the Date of Termination, Executive will (x) continue to receive Executive's Annual Salary in effect immediately prior to the Date of Termination for a period of twenty four (24) months following the Date of Termination, and (y) be paid an amount equal to one-twelfth (1/12th) of the Executive's Target Bonus in effect on the Date of Termination in each of the twenty four (24) months following the Date of Termination, payable in normal payroll periods, in the same manner as it was paid as of the Date of Termination, and no less frequently than monthly; provided, however, any payments that would otherwise be payable during the period following the Date of Termination until the payment commencement date shall be accumulated without interest and paid on such commencement date. In the event of Executive's death following the Date of Termination and before all payments or benefits Executive is entitled to receive under this Section 3.2 have been paid, such unpaid amounts will be paid to Executive's estate in a lump-sum payment within thirty (30) days following Executive's death.

(ii) Stock Options, RSUs and Performance Shares with Annual Vesting. Executive shall vest on the Date of Termination in a pro rata portion of any stock options, restricted stock units and performance shares granted under any PROG stock plan that are subject to annual vesting (to the extent not already then vested) and that: (x) were granted at least twelve (12) months prior to the Date of Termination and (y) would otherwise vest on the next anniversary of their grant date, based on a fraction, the numerator of which is the number of days that Executive was employed during the twelve (12) month vesting period in which the Date of Termination occurs and the denominator of which is three hundred and sixty five (365); provided, however, that if Executive was employed for at least one-hundred and eighty (180) days during the twelve (12) month vesting period in which the Date of Termination occurs, the fraction shall be one. Any stock options that vest under this Section 3.2(a)(ii) shall be exercisable to the extent provided under the terms of (and are otherwise subject to) the applicable

PROG stock plan and award agreements. Any restricted stock units and/or performance shares that vest under this Section 3.2(a)(ii) shall be paid on the Company's first normal payroll date that is on or immediately follows the sixtieth (60th) day following the Date of Termination and are otherwise subject to the terms of the applicable PROG stock plan and award agreements. For the avoidance of doubt, stock options, restricted stock units and performance shares that were granted less than twelve (12) months prior to the Date of Termination shall not vest under this Section 3.2(a)(ii) and stock options, restricted stock units and performance shares that would not otherwise vest on the next anniversary of the grant date shall not vest under this Section 3.2(a)(ii). Further, any performance shares shall only be vested to the extent the performance measures are actually satisfied and/or only to the extent that other similarly situated executives are paid out on performance shares for the applicable performance period.

(iii) Performance Shares without Annual Vesting. Executive shall vest in a pro rata portion of any performance shares granted under any PROG stock plan (to the extent not already then vested) and that (x) were granted at least twelve (12) months prior to the Date of Termination and (y) are subject to a performance period greater than twelve (12) months, based on a fraction, the numerator of which is the number of days that Executive was employed during the performance period in which the Date of Termination occurs and the denominator of which is the total number of days in the performance period. Any performance shares that vest under this Section 3.2(a)(iii) shall be paid at the same time as such performance shares are paid for other executives and are otherwise subject to the terms of the applicable PROG stock plan and award agreements, including the satisfaction of all required performance measures. For the avoidance of doubt, performance shares that were granted less than twelve (12) months prior to the Date of Termination shall not vest under this Section 3.2(a)(iii) and performance shares shall only be vested to the extent the performance measures are actually satisfied and/or only to the extent that other similarly situated executives are paid out on performance shares for the applicable performance period.

III.3 Voluntary Resignation without Good Reason. If, during the Term, Executive voluntarily resigns Executive's employment without Good Reason, Executive will be paid the Accrued Obligations. No additional amounts or benefits shall be payable or provided under this Agreement.

III.4 Termination Due to Disability or Death. If Executive's employment with the Company Group is terminated due to Executive's Disability or death, Executive (or the Executive's estate, if applicable) will be paid the Accrued Obligations and an additional amount equal to the product of (x) Executive's Annual Bonus for the year in which the Date of Termination occurs based on actual results, and (y) a fraction, the numerator of which is the number of days from January 1 of the year during which the Date of Termination occurs to the Date of Termination and the denominator of which is three hundred and sixty five (365). The pro rata Annual Bonus, if any, will be paid at the same time such amount would otherwise have been paid to Executive. No additional amounts or benefits shall be payable or provided under this Agreement.

III.5 Release. Notwithstanding anything contained in this Agreement to the contrary, PROG shall not be obligated to provide any benefits to Executive under Section 3.1, 3.2, 3.3 or 3.4 hereof unless: (a) Executive first executes no later than forty-five (45) calendar days after the Date of Termination a general release of the Company Group and their respective employees, officers and directors in such form as is requested by the Company Group; (b) Executive does not revoke such general release within seven (7) days after signature; and (c) the release becomes effective and irrevocable in accordance with its terms.

III.6 Exclusive Severance Benefit. Notwithstanding anything contained in this Agreement to the contrary, and except as specifically provided below, any severance payments or benefits received by Executive pursuant to this Agreement shall be in lieu of any benefits under the Executive Severance Pay Plan of PROG Holdings, Inc. (as may be in effect from time to time) or any other severance or reduction-in-force plan, program, policy, agreement or other similar arrangement maintained by the Company Group from time to time and in lieu of any severance or separation pay benefit that may be required under applicable law; provided, however, the exclusion provided in this Section 3.6 shall not include any equity award agreement, retirement or deferred compensation plan or similar plan or agreement which may provide benefits upon the termination of Executive's employment. Executive shall not be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under this Agreement.

III.7 Tax Withholding. The Company Group shall deduct from payments to be paid to Executive or any beneficiary all federal, state and local withholding and other taxes and charges required to be deducted under applicable law.

III.8 Coordination with WARN Act. To the extent that the Company Group determines that Executive's termination may be subject to the Worker Adjustment and Retraining Notification Act or any other similar federal, state or local law regarding mass employment separations (collectively, "WARN Act"), notwithstanding any other provision of this Agreement, the Company Group shall endeavor to comply with the WARN Act, to the extent applicable, by giving notice of the termination ("WARN Act Notice") at least sixty (60) days in advance of the termination date. The period between the WARN Act Notice date and the termination date is hereinafter referred to as "WARN Act Notice Period". The Company Group's determination that Executive may be subject to the WARN Act and/or any corresponding actions taken or statements made are not an admission or indication that any WARN Act or WARN Act obligations are applicable, triggered, invoked or owed and do not waive or otherwise hinder the Company Group's ability to argue the WARN Act does not apply or to take other similar positions.

The Company Group may excuse Executive from work during all or part of the WARN Act Notice Period and provide Executive with a payment or payments intended to satisfy all or part of any potential WARN Act obligations, including those during the WARN Act Notice Period. If this occurs, any payments or benefits under this Agreement shall be reduced and offset by and may be coordinated with any payment(s) Executive receives during the WARN Act

Notice Period. After any reduction and offset, PROG will provide the remaining benefits (subject to the release requirement described in Section 3.5) to Executive.

If Executive is not excused from work following the WARN Act Notice date, the regular salary or wages paid to Executive during the WARN Act Notice Period will constitute Executive's usual compensation and not a benefit under this Agreement.

III.9 No Duplication. In no event shall payments and benefits provided in accordance with this Agreement be made in respect of more than one of Section 3.1, 3.2, 3.3 or 3.4.

SECTION IV
TAX INFORMATION

IV.1 Section 280G Parachute Payments. Notwithstanding any provision of this Agreement to the contrary, if any payment or benefit to be paid or provided hereunder would be a "Parachute Payment," within the meaning of Section 280G of the Code, or any successor provision thereto, but for the application of this sentence, then the payments and benefits to be paid or provided hereunder shall be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes a Parachute Payment; provided, however, that the foregoing reduction shall not be made if the total of the unreduced aggregate payments and benefits to be provided to Executive, determined on an after-tax basis (taking into account the excise tax imposed pursuant to Section 4999 of the Code, or any successor provision thereto, any tax imposed by any comparable provision of state law, and any applicable federal, state and local income taxes), exceeds by at least ten percent (10%) the total after-tax amount of such aggregate payments and benefits after application of the foregoing reduction. The determination of whether any reduction in such payments or benefits to be provided hereunder is required pursuant to the preceding sentence shall be made at the expense of the Company Group, if requested by Executive or the Company, by the Company Group's independent accountants. The fact that Executive's right to payments or benefits may be reduced by reason of the limitations contained in this Section 4.1 shall not of itself limit or otherwise affect any other rights of Executive under this Agreement. In the event that any payment or benefit intended to be provided hereunder is required to be reduced pursuant to this Section 4.1 and no such payment or benefit qualifies as a "deferral of compensation" within the meaning of and subject to Section 409A ("Nonqualified Deferred Compensation"), Executive shall be entitled to designate the payments and/or benefits to be so reduced in order to give effect to this Section 4.1. The Company Group shall provide Executive with all information reasonably requested by Executive to permit Executive to make such designation. In the event that any payment or benefit intended to be provided hereunder is required to be reduced pursuant to this Section 4.1 and any such payment or benefit constitutes Nonqualified Deferred Compensation or Executive fails to elect an order in which payments or benefits will be reduced pursuant to this Section 4.1, then the reduction shall occur in the following order: (a) reduction of cash payments described in Sections 3.1 and 3.2 (with such reduction being applied to the payments in the reverse order in which they would otherwise be made, that is, later payments shall be reduced before earlier payments); (b) cancellation of acceleration of vesting on any equity awards for which the exercise price exceeds the then fair market value of the underlying equity; and (c)

cancellation of acceleration of vesting of equity awards not covered under (b) above. Within any category of payments and benefits (that is, (a), (b) or (c)), a reduction shall occur first with respect to amounts that are not Nonqualified Deferred Compensation within the meaning of Section 409A and then with respect to amounts that are. In the event that acceleration of vesting of equity awards is to be cancelled, such acceleration of vesting shall be cancelled in the reverse order of the date of grant of such equity awards, that is, later equity awards shall be canceled before earlier equity awards.

IV.2 Section 409A.

(a) Section 409A imposes payment restrictions on Nonqualified Deferred Compensation (potentially including payments owed to Executive upon termination of employment). Failure to comply with these restrictions could result in negative tax consequences to Executive. It is PROG's intent that this Agreement be exempt from the application of, or otherwise comply with, the requirements of Section 409A. Specifically, any taxable benefits or payments provided under this Agreement are intended to be separate payments that qualify for the "short-term deferral" exception to Section 409A to the maximum extent possible and, to the extent they do not so qualify, are intended to qualify for the separation pay exceptions to Section 409A to the maximum extent possible. To the extent that none of these exceptions applies, and to the extent that the Company Group determines it is necessary to comply with Section 409A (e.g., if Executive is a "specified employee" within the meaning of Section 409A), then notwithstanding any provision in this Agreement to the contrary, all amounts that would otherwise be paid or provided to Executive during the first six months following the Date of Termination shall instead be accumulated through and paid or provided (without interest) on the first business day that is more than six (6) months after Executive's separation from service.

(b) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits subject to Section 409A upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A and Executive is no longer providing services (at a level that would preclude the occurrence of a "separation from service" within the meaning of Section 409A) to the Company Group as an employee or consultant, and for purposes of any such provision of this Agreement, references to the "Date of Termination," a "termination," "termination of employment" or like terms shall mean "separation from service" within the meaning of Section 409A.

(c) Whenever a payment under this Agreement specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be within the sole discretion of the Company Group. In the event the payment period under this Agreement for any nonqualified deferred compensation commences in one calendar year and ends in a second calendar year, the payments shall not be paid (or installments commenced) until the later of the first payroll date of the second calendar year, or the date that the release described in Section 3.5 becomes effective and irrevocable, to the extent necessary to comply with Section

409A. For purposes of Section 409A, Executive's right to receive installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments.

(d) Although the Company Group will use its best efforts to avoid the imposition of taxation, interest and penalties under Section 409A, the tax treatment of the benefits provided under this Agreement is not warranted or guaranteed. Neither the Company Group nor their respective directors, officers, employees or advisers shall be held liable for any taxes, interest, penalties or other monetary amounts owed by Executive (or any other individual claiming a benefit through Executive) as a result of this Agreement.

SECTION V
RESTRICTIVE COVENANTS

V.1 Executive acknowledges and agrees that the restrictions set forth in this Section V are reasonable and necessary to protect the legitimate business interests of the Company Group, and they will not impair or infringe upon Executive's right to work or earn a living when Executive's employment with the Company Group ends for any reason, and (i) Executive (1) served the Company Group as a Key Employee; and/or (2) served the Company Group as a Professional; and/or (3) customarily and regularly solicited Customers and/or Prospective Customers for the Company Group; and/or (4) customarily and regularly engaged in making sales or obtaining orders or contracts for products or services to be provided or performed by others in the Company Group; and/or (5) (A) had a primary duty of managing a department or subdivision of the Company Group, (B) customarily and regularly directed the work of two or more other employees, and (C) had the authority to hire or fire other employees; and/or (ii) Executive's position was a position of trust and responsibility with access to (1) Confidential Information, (2) Trade Secrets, (3) information concerning Employees of the Company Group, (4) information concerning Customers of the Company Group, and/or (5) information concerning Prospective Customers of the Company Group.

(a) Trade Secrets and Confidential Information. Executive shall not: (i) use, disclose, reverse engineer, divulge, sell, exchange, furnish, give away, or transfer in any way the Trade Secrets or the Confidential Information for any purpose other than the Company Group's Business, except as authorized in writing by the Company Group; (ii) retain any Trade Secrets or Confidential Information, including any copies existing in any form (including electronic form) that are in Executive's possession or control; or (iii) destroy, delete, or alter the Trade Secrets or Confidential Information without the Company Group's prior written consent. The obligations under this subsection shall: (1) with regard to the Trade Secrets, remain in effect as long as the information constitutes a trade secret under applicable law; and (2) with regard to the Confidential Information, remain in effect for so long as such information constitutes Confidential Information as defined in this Agreement. The confidentiality, property, and proprietary rights protections set forth in this Agreement are in addition to, and not exclusive of, any and all other rights to which the Company Group is entitled under federal and state law, including, but not limited to, rights provided under copyright laws, trade secret and confidential information laws, and laws concerning fiduciary duties.

(b) Defend Trade Secrets Act. Notwithstanding anything to the contrary set forth in this Agreement, pursuant to the Defend Trade Secrets Act of 2016 (18 U.S.C. § 1833(b)(1)), no individual shall be held criminally or civilly liable under federal or state law for the disclosure of a trade secret that: (1) is made (x) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (y) solely for the purpose of reporting or investigating a suspected violation of law; or (2) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(c) Non-Solicitation of Customers. During the Restricted Period, Executive shall not, directly or indirectly, solicit any Customer of the Company Group for the purpose of selling or providing any products or services competitive with the Business. The restrictions set forth in this subsection shall apply only to those Customers (a) with whom or which Executive dealt on behalf of the Company Group, (b) whose dealings with the Company Group were coordinated or supervised by Executive, (c) about whom Executive obtained Confidential Information in the ordinary course of business as a result of Executive's association with the Company Group, or (d) who received products or services authorized by the Company Group, the sale or provision of which resulted in compensation, commissions, or earnings for Executive within two (2) years prior to the Date of Termination.

(d) Non-Solicitation of Prospective Customers. During the Restricted Period, Executive shall not, directly or indirectly, solicit any Prospective Customer of the Company Group for the purpose of selling or providing any products or services competitive with the Business. The restrictions set forth in this subsection shall apply only to those Prospective Customers (i) with whom or which Executive dealt on behalf of the Company Group, (ii) whose dealings with the Company Group were coordinated or supervised by Executive, or (iii) about whom Executive obtained Confidential Information in the ordinary course of business as a result of Executive's association with the Company Group.

(e) Non-Recruit of Employees. During the Restricted Period, Executive shall not, directly or indirectly, solicit, recruit, or induce any Employee to (i) terminate his or her employment relationship with the Company Group, or (ii) work for any other person or entity engaged in the Business. For the avoidance of doubt, the foregoing restriction shall prohibit Executive from disclosing to any third party the names, background information, or qualifications of any Employee, or otherwise identifying any Employee as a potential candidate for employment. The restrictions set forth in this subsection shall apply only to Employees (1) with whom Executive had Material Interaction, or (2) Executive, directly or indirectly, supervised.

(f) Non-Competition. During the Restricted Period, Executive shall not, on Executive's own behalf or on behalf of any person or entity, engage in the Business within the Territory; provided, however, that Executive may work for a competitor within the Territory and during the Restricted Period if Executive first obtains express written permission from the Company's Chief Executive Officer or the Board. For purposes of this subsection, the term "engage in the Business" shall include: (i) performing or participating in any activities which are the same as, or substantially similar to, activities which Executive performed or in which

Executive participated, in whole or in part, for or on behalf of the Company Group; (ii) performing activities or services about which Executive obtained Confidential Information or Trade Secrets as a result of Executive’s association with the Company Group; and/or (iii) interfering with or negatively impacting the business relationship between the Company Group and a Customer, Prospective Customer, or any other third party about whom Executive obtained Confidential Information or Trade Secrets as a result of Executive’s association with the Company Group.

(g) Definitions. For purposes of this Section V only, the capitalized terms shall be defined as follows:

(i) “Business” means (1) those activities, products, and services that are the same as or similar to the activities conducted and products and services offered and/or provided by the Company Group within two (2) years prior to the Date of Termination, and (2) (A) renting, leasing, and/or selling new or reconditioned consumer electronics, computers (including hardware, software, and accessories), appliances, household goods, residential furniture, and home furnishings, (B) providing web-based, virtual or remote lease-to-own programs, buy-now-pay-later programs or financing, or (C) issuing consumer credit cards and credit card and other consumer credit accounts, making consumer loans, cash advances and other extensions of credit and engaging in any other programs or activities for the origination or acquisition of loans, receivables or other payment obligations of consumers.

(ii) “Confidential Information” means: (1) information of the Company Group, to the extent not considered a Trade Secret under applicable law, that: (A) relates to the business of the Company Group, (B) was disclosed to Executive or of which Executive became aware of as a consequence of Executive’s relationship with the Company Group (C) possesses an element of value to the Company Group, and (D) is not generally known to the Company Group’s competitors, and (2) information of any third party provided to the Company Group which the Company Group is obligated to treat as confidential, including, but not limited to, information provided to the Company Group by their licensors, suppliers or customers. Confidential Information includes, but is not limited to: (A) methods of operation; (B) price lists; (C) financial information and projections; (D) personnel data; (E) future business plans; (F) the composition, description, schematic or design of products, future products or equipment of the Company Group or any third party; (G) advertising or marketing plans; (H) information regarding independent contractors, employees, clients, licensors, suppliers, Customers, Prospective Customers or any third party, including, but not limited to, the names of Customers and Prospective Customers, Customer and Prospective Customer lists compiled by the Company Group, and Customer and Prospective Customer information compiled by the Company Group; and (I) personal information concerning owners and members of the Company Group. Confidential Information shall not include any information that: (1) is or becomes generally available to the public other than as a result of an unauthorized disclosure, (2) has been independently developed and disclosed by others without violating this Agreement or the legal rights of any party, or (3) otherwise enters the public domain through lawful means.

(iii) "Customer" means any person or entity to which the Company Group has sold its products or services.

(iv) "Employee" means any person who (1) is employed by the Company Group on the Date of Termination, or (2) was employed by the Company Group during the last year of Executive's employment with the Company Group.

(v) "Key Employee" means that, by reason of the Company Group's investment of time, training, money, trust, exposure to the public, or exposure to Customers, vendors, or other business relationships during the course of Executive's employment with the Company Group, Executive will gain a high level of notoriety, fame, reputation, or public persona as the Company Group's representative or spokesperson, or will gain a high level of influence or credibility with the Company Group's Customers, vendors, or other business relationships, or will be intimately involved in the planning for or direction of the business of the Company Group or a defined unit of the business of the Company Group. Such term also means that Executive will possess selective or specialized skills, learning, or abilities or customer contacts or customer information by reason of having worked for the Company Group.

(vi) "Material Interaction" means any interaction with an Employee which related, directly or indirectly, to the performance of Executive's duties or the Employee's duties for the Company Group.

(vii) "Professional" means an employee who has a primary duty the performance of work requiring knowledge of an advanced type in a field of science or learning customarily acquired by a prolonged course of specialized intellectual instruction or requiring invention, imagination, originality, or talent in a recognized field of artistic or creative endeavor. Such term shall not include employees performing technician work using knowledge acquired through on-the-job and classroom training, rather than by acquiring the knowledge through prolonged academic study, such as might be performed, without limitation, by a mechanic, a manual laborer, or a ministerial employee.

(viii) "Prospective Customer" means any person or entity to which the Company Group has solicited to purchase the Company Group's products or services.

(ix) "Restricted Period" means: (i) with respect to Sections 5.1(c), (d) and (e), twenty-four (24) months after the Date of Termination or (ii) with respect to Section 5.1(f), twelve (12) months after the Date of Termination.

(x) "Territory" means within each of the following discrete, severable, geographic areas:

(A) any state or province in which Executive performed services for or on behalf of the Company Group during the last two (2) years of Executive's employment with the Company Group (or during Executive's employment if employed less than two (2) years); and/or if this subclause or any portion thereof is found to be unenforceable;

(B) the United States of America (including the following states: Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming, as well as the District of Columbia); and/or if this subclause or any portion thereof is found to be unenforceable;

(C) Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wyoming, the District of Columbia; and/or if this subclause or any portion thereof is found to be unenforceable;

(D) the state of Utah; and/or if this subclause or any portion thereof is found to be unenforceable;

(E) the Metropolitan Statistical Area of Salt Lake City, Utah as designated by the Office of Management and Budget and used by the U.S. Census Bureau in its most recent census as of the Date of Termination; and/or if this clause of any portion thereof is found to be unenforceable;

(F) the counties of Salt Lake, Utah, Summit and Tooele, Utah; and/or if this subclause or any portion thereof is found to be unenforceable;

(G) the city of Draper, Utah; and/or if this subclause or any portion thereof is found to be unenforceable; then

(H) a fifteen (15) air mile radius of 256 West Data Drive, Draper, Utah 84020.

The Company Group and Executive acknowledge and agree that the Territory described above (x) represents a good faith estimate of the geographic areas that are applicable at the time of termination of Executive’s employment; (y) shall be construed ultimately to cover only so much of such estimate as relates to the geographic areas actually involved within a reasonable period of time prior to Executive’s termination; and (z) is drafted in such a way that a court may modify the definition and grant only the relief reasonably necessary to protect such legitimate business interests.

(xi) “Trade Secrets” means information of the Company Group, and its licensors, suppliers, clients, and customers, without regard to form, including, but not limited to,

technical or nontechnical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, a list of actual customers, clients, licensors, or suppliers, or a list of potential customers, clients, licensors, or suppliers which is not commonly known by or available to the public and which information (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

V.2 Injunctive Relief. If Executive breaches or threatens to breach any portion of this Agreement, Executive agrees that: (a) the Company Group would suffer irreparable harm; (b) it would be difficult to determine damages, and money damages alone would be an inadequate remedy for the injuries suffered by the Company Group; and (c) if the Company Group seeks injunctive relief to enforce this Agreement, Executive shall waive and shall not (i) assert any defense that the Company Group has an adequate remedy at law with respect to the breach, (ii) require that the Company Group submit proof of the economic value of any Trade Secret or Confidential Information, or (iii) require the Company Group to post a bond or any other security. Nothing contained in this Agreement shall limit the Company Group's right to any other remedies at law or in equity.

V.3 Independent Enforcement. Each of the covenants set forth in Section 5.1 above shall be construed as an agreement independent of (a) each of the other covenants set forth in Section 5.1, (b) any other agreements, or (c) any other provision in this Agreement, and the existence of any claim or cause of action by Executive against the Company Group, whether predicated on this Agreement or otherwise, regardless of who was at fault and regardless of any claims that either Executive or the Company Group may have against the other, shall not constitute a defense to the enforcement by the Company Group of any of the covenants set forth in Section 5.1 above. The Company Group shall not be barred from enforcing any of the covenants set forth in Section 5.1 above by reason of any breach of (i) any other part of this Agreement, or (ii) any other agreement with Executive.

V.4 Protected Rights. Nothing contained in this Agreement limits Executive's ability to file a charge or complaint with the Equal Employment Opportunity Commission or any other federal, state or local governmental agency or commission (collectively, "Government Agencies"), or prevents Executive from providing truthful testimony in response to a lawfully issued subpoena or court order. Further, this Agreement does not limit Executive's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company Group.

V.5 Survival of Restrictive Covenants. Upon termination of Executive's employment for any reason whatsoever (whether voluntary on the part of Executive, for Cause, or other reasons), the obligations of Executive pursuant to Section V shall survive and remain in effect for the periods described herein.

SECTION VI
DISPUTES

VI.1 Arbitration.

(a) Rules; Jurisdiction. Any controversy, dispute or claim between the parties, including any controversy, dispute or claim arising out of, relating to or concerning this Agreement, the breach of this Agreement, the employment of Executive, or the termination of Executive’s employment (a “Disputed Matter”) will be resolved pursuant to this Section VI. Any such controversy, dispute or claim will be settled in Salt Lake County, Utah in accordance with the applicable rules of the American Arbitration Association (the “AAA”) then in effect; provided, however, that a breach of the obligations under Section V may be enforced by an action for injunctive relief and damages in a court of competent jurisdiction. If the rules of the AAA differ from any provisions of this Agreement, the provisions of this Agreement will control.

(b) Terms of Arbitration. The arbitrator chosen in accordance with these provisions shall not have the power to alter, amend or otherwise affect the terms of these arbitration provisions or the provisions of this Agreement except as otherwise expressly provided herein.

(c) Binding Effect. The arbitrator will have the authority to grant only such equitable and legal remedies that would be available in any judicial proceeding instituted to resolve a Disputed Matter, and the decision of the arbitrator within the scope of the submission will be final and conclusive upon the parties. Judgment upon any award rendered by the arbitrator may be entered in any court having subject matter jurisdiction to render such judgment. In the event any provision of this Section VI is found to be unenforceable for any reason by a court or an arbitrator, the court or arbitrator, as the case may be, shall reform this Section VI to the extent necessary to render it enforceable.

(d) Time for Arbitration. Any demand for arbitration involving an alleged breach of this Agreement shall be filed within one (1) year of the date the claim became known or should have become known; provided, however, any claim involving an alleged statutory obligation may be filed with the AAA and served on the other party at any time within the period covered by the applicable statute of limitations.

(e) Payment of Costs. To the extent permitted by applicable law, each party hereby agrees to pay one half the arbitrator’s fees, the costs of transcripts and all other expenses of the arbitration proceedings; provided, however, that the arbitrator shall have the authority to determine payment of costs as part of the award or to allocate costs in accordance with the AAA rules.

(f) Burden of Proof; Basis of Decision. For any claim submitted to arbitration, the burden of proof shall be as it would be if the claim were litigated in a judicial proceeding except where otherwise specifically provided in this Agreement, and the decision

shall be based on the application of the law of the State of Utah (as determined from statutes, court decisions and other recognized authorities) to the facts found by the arbitrator.

SECTION VII
SUCCESSORS

VII.1 In addition to any obligations imposed by law upon any successor to PROG, PROG shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of PROG expressly to assume and agree to perform this Agreement in the same manner and to the same extent that PROG would be required to perform it if no such succession had taken place. The provisions of this Section VII shall continue to apply to each subsequent employer of Executive bound by this Agreement in the event of any merger, consolidation or transfer of all or substantially all of the business or assets of that subsequent employer.

VII.2 This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

SECTION VIII
NOTICES

VIII.1 For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by (a) United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt; or (b) personal delivery to the Chief Executive Officer:

To PROG:

PROG Holdings, Inc.
256 West Data Drive
Draper, Utah 84020
Attention: Chief Executive Officer

Copy to (which shall not constitute notice):

PROG Holdings, Inc.
256 West Data Drive
Draper, Utah 84020
Attention: General Counsel

To Executive: At Executive's most recent mailing address in the records of the Company Group, or at Executive's employee email address (during employment)

SECTION IX
MISCELLANEOUS

IX.1 Any compensation paid or payable to Executive pursuant to this Agreement which is subject to recovery under any law, government regulation, order or stock exchange listing requirement, will be subject to such deductions and clawback (recovery) as may be required to be made pursuant to law, government regulation, order, stock exchange listing requirement (or any policy of the Company Group adopted from time to time). Executive specifically authorizes the Company Group to withhold from future salary or wages any amounts that may become due under this provision. This Section 9.1 shall survive the termination of this Agreement for a period of three (3) years.

IX.2 This Agreement embodies the entire agreement of PROG and Executive relating to separation or severance pay and, except as specifically provided herein, no provisions of any employee manual, personnel policies, corporate directives or other agreement or document shall be deemed to modify the terms of this Agreement. Except as otherwise provided in Section 5.1, no amendment or modification of this Agreement shall be valid or binding upon Executive or PROG unless made in writing and signed by PROG and Executive. This Agreement supersedes all prior understandings and agreements addressing severance or separation pay to which Executive and the Company Group are or were parties, including any previous change in control agreement, severance plan, offer letter provisions, or other employment agreements.

IX.3 No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

IX.4 No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

IX.5 The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

IX.6 The Agreement shall be construed, administered and governed in all respects under and by the applicable laws of the State of Utah.

IX.7 This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

[Signature page follows. Remainder of page left intentionally blank.]

[Signature page to Severance and Change-in-Control Agreement]

IN WITNESS WHEREOF, the parties have signed this Agreement as of the date set forth above.

PROG HOLDINGS, INC.

By:__

Name:__

Title:__

Date:__

EXECUTIVE

__
[●]

Date:__

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)

I, Steven A. Michaels, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PROG Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2021

/s/ Steven A. Michaels

Steven A. Michaels

Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)

I, Brian Garner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PROG Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2021

/s/ Brian Garner

Brian Garner

Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven A. Michaels, Chief Executive Officer of PROG Holdings, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 that:

The Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 29, 2021

/s/ Steven A. Michaels
Steven A. Michaels
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Brian Garner, Chief Financial Officer of PROG Holdings, Inc. (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 that:

The Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2021 (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 29, 2021

/s/ Brian Garner
Brian Garner
Chief Financial Officer