

AARON'S INC
Form 10-Q
May 06, 2016
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 MARCH 31, 2016

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 1-13941

AARON'S, INC.
(Exact name of registrant as specified in its charter)

Georgia 58-0687630
(State or other jurisdiction of (I. R. S. Employer
incorporation or organization) Identification No.)

309 E. Paces Ferry Road, N.E. 30305-2377
Atlanta, Georgia (Address of principal executive offices) (Zip Code)
(404) 231-0011
(Registrant's telephone number, including area code)

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

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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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 May 2, 2016
Common Stock, \$.50 Par Value	72,750,329

AARON'S, INC.
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PART I—FINANCIAL INFORMATION

Item 1—Financial Statements

AARON'S, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Share Data)	(Unaudited)	
	March 31, 2016	December 31, 2015
ASSETS:		
Cash and Cash Equivalents	\$ 118,905	\$ 14,942
Investments	22,108	22,226
Accounts Receivable (net of allowances of \$30,028 in 2016 and \$34,861 in 2015)	85,203	113,439
Lease Merchandise (net of accumulated depreciation and allowances of \$720,007 in 2016 and \$738,657 in 2015)	1,102,233	1,138,938
Loans Receivable (net of allowances and unamortized fees of \$6,779 in 2016 and \$2,971 in 2015)	83,198	85,795
Property, Plant and Equipment at Cost (net of accumulated depreciation of \$228,941 in 2016 and \$222,752 in 2015)	220,508	225,836
Goodwill	524,687	539,475
Other Intangibles (net of accumulated amortization of \$54,932 in 2016 and \$48,021 in 2015)	268,235	275,912
Income Tax Receivable	30,034	179,174
Prepaid Expenses and Other Assets	93,656	59,434
Total Assets	\$2,548,767	\$2,655,171
LIABILITIES & SHAREHOLDERS' EQUITY:		
Accounts Payable and Accrued Expenses	\$244,491	\$300,356
Accrued Regulatory Expense	—	4,737
Deferred Income Taxes Payable	306,671	307,481
Customer Deposits and Advance Payments	61,642	69,233
Debt	518,041	606,746
Total Liabilities	1,130,845	1,288,553
Commitments and Contingencies (Note 6)		
Shareholders' Equity:		
Common Stock, Par Value \$.50 Per Share: Authorized: 225,000,000 Shares at March 31, 2016 and December 31, 2015; Shares Issued: 90,752,123 at March 31, 2016 and December 31, 2015	45,376	45,376
Additional Paid-in Capital	240,750	240,112
Retained Earnings	1,450,991	1,403,120
Accumulated Other Comprehensive Income (Loss)	76	(517)
	1,737,193	1,688,091
Less: Treasury Shares at Cost		
Common Stock: 18,002,753 Shares at March 31, 2016 and 18,151,560 at December 31, 2015	(319,271)	(321,473)
Total Shareholders' Equity	1,417,922	1,366,618
Total Liabilities & Shareholders' Equity	\$2,548,767	\$2,655,171

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

AARON'S, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
 (Unaudited)

(In Thousands, Except Per Share Data)	Three Months Ended	
	March 31,	
	2016	2015
REVENUES:		
Lease Revenues and Fees	\$741,611	\$695,282
Retail Sales	10,955	11,994
Non-Retail Sales	79,305	96,037
Franchise Royalties and Fees	16,295	17,004
Interest and Fees on Loans Receivable	4,763	—
Other	1,498	1,497
	854,427	821,814
COSTS AND EXPENSES:		
Depreciation of Lease Merchandise	348,302	315,986
Retail Cost of Sales	7,065	7,704
Non-Retail Cost of Sales	71,385	86,852
Operating Expenses	348,424	327,920
Other Operating Income, Net	(6,729)	(1,460)
	768,447	737,002
OPERATING PROFIT	85,980	84,812
Interest Income	421	439
Interest Expense	(6,312)	(5,969)
Other Non-Operating Expense, Net	(361)	(1,452)
EARNINGS BEFORE INCOME TAXES	79,728	77,830
INCOME TAXES	30,041	28,587
NET EARNINGS	\$49,687	\$49,243
EARNINGS PER SHARE		
Basic	\$.68	\$.68
Assuming Dilution	\$.68	\$.68
CASH DIVIDENDS DECLARED PER SHARE:		