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BUSINESS

Rent-to-Own Furniture Firm Aaron's Gets Takeover Bid

Vintage Capital's Offer Values Retailer at \$2.3 Billion

By EVERDEEN MASON

Updated Feb. 7, 2014 7:49 p.m. ET

Investment firm Vintage Capital Management LLC offered to buy the rest of Aaron's Inc. that it doesn't already own in a deal that values the rent-to-own furniture company at \$2.3 billion.

Aaron's, which rents and sells furniture, electronics and appliances, has struggled during what it has called a difficult economic environment for its low- to middle-income customers. The company warned in January that it would slow new-store growth at both its Aaron's and HomeSmart locations until business conditions improve.

The company separately Friday reported fourth-quarter results that met January's lowered forecast and issued a disappointing outlook for the current quarter.

The investor, which already has a 9.5% stake in the retailer, offered to buy Aaron's for \$30.50 a share, a 13% premium to Thursday's close. Shares, which at one point Friday topped the offer price, later settled and ended the regular session at \$28.32, up 4.7%.

In a statement, Aaron's said the company's board would "evaluate the offer in line with its fiduciary duties." The company said it wasn't in discussions with any party regarding a buyout offer.

Meanwhile, Vintage had said it has privately offered to acquire Aaron's three times since 2011, according to a letter to the board that was disclosed in a regulatory filing. Each time it said it was "summarily ignored" by the board and the stock continued to perform poorly in comparison with the broader market.

At the beginning of 2011, Aaron's traded just above \$20 a share.

Vintage said it spoke this week with Aaron's Chief Executive Ron Allen, reiterating its interest in a deal, and suggested it would sign an appropriate confidentiality agreement to conduct due diligence. It also urged Aaron's board to form an independent committee to analyze the bid.

Vintage pointed to its experience in the rent-to-own industry. The firm is currently the majority owner of Buddy's Home Furnishings, another rent-to-own business in the Southeast.

The 7.3 million shares it holds in Aaron's make it the company's second-largest shareholder, according to FactSet.

Meanwhile, Aaron's said its fourth-quarter profit slid 38% to \$22.7 million, or 30 cents a share, from \$36.6 million, or 48 cents a share, a year earlier.

Revenue slipped 2% to \$553.9 million as same-store revenue fell 0.9%.

In January, Aaron's slashed its estimates for the quarter, predicting earnings of 27 cents to 31 cents a share and revenue of about \$555 million.

It also gave a view for 2014 that was below the consensus estimate at the time and affirmed that outlook Friday.

For the first quarter, Aaron's estimated earnings of 57 cents to 62 cents a share on revenue of about \$600 million, missing analysts' view of 66 cents and \$609 million.

As of Dec. 31, Aaron's had 2,151 locations among its brands.

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Corrections & Amplifications

Vintage spoke this week with Aaron's Chief Executive Ron Allen. An earlier version of this article incorrectly said Vintage met this week with Mr. Allen.

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