

AARON'S INC
Form DEF 14A
March 20, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant
Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Rule 14a-12
Aaron's, Inc.
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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(3) Filing Party:

(4) Date Filed:

400 Galleria Parkway, S.E., Suite 300
Atlanta, Georgia 30339-3182

March 20, 2017

To Our Fellow Shareholders:

It is our pleasure to invite you to attend the 2017 Annual Meeting of Shareholders of Aaron's, Inc. to be held on Tuesday, May 2, 2017, at 9:00 a.m., local time, at the SunTrust Conference Room located in the Atlanta Financial Center, 3343 Peachtree Road, N.E., Atlanta, Georgia 30326. The Annual Meeting will begin with a discussion of, and voting on, the matters described in the accompanying Notice of Annual Meeting of Shareholders and Proxy Statement, and will be followed by a report on Aaron's financial performance and operations.

The Proxy Statement is critical to our corporate governance process. We use this document to discuss the proposals being submitted to a vote of shareholders at the Annual Meeting, solicit your vote on those proposals, provide you with information about our board of directors and our executive officers, and inform you of the steps we are taking to fulfill our responsibilities to you as shareholders.

Your vote is important to us. Your broker cannot vote on certain of the proposals without your instruction. Please use your proxy card or voter instruction form to inform us, or your broker, as to how you would like to vote your shares on the proposals in the Proxy Statement. For instructions on voting, please refer to the notice you received in the mail or, if you requested a hard copy of the Proxy Statement, to your enclosed proxy card.

We look forward to seeing you at the Annual Meeting. On behalf of our management and directors, I want to thank you for your continued support of, and confidence in, Aaron's.

Sincerely,

Ray M. Robinson John W. Robinson III
Chairman of the Board President and Chief Executive Officer

400 Galleria Parkway, S.E., Suite 300

Atlanta, Georgia 30339-3182

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD MAY 2, 2017

The 2017 Annual Meeting of Shareholders of Aaron's, Inc., which we refer to as "Aaron's" or the "Company," will be held on Tuesday, May 2, 2017, at 9:00 a.m., local time, at the SunTrust Conference Room located in the Atlanta Financial Center, 3343 Peachtree Road, N.E., Atlanta, Georgia 30326, for the purpose of considering and voting on the following items:

1. To elect nine directors to serve for a term expiring at the 2018 Annual Meeting of Shareholders.
2. To vote on a non-binding, advisory resolution approving Aaron's executive compensation.
3. To vote on a non-binding, advisory recommendation to the board of directors regarding the frequency of the advisory vote on executive compensation.
4. To ratify the appointment of Ernst & Young LLP as Aaron's independent registered public accounting firm for 2017.
5. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Information relating to these items is provided in the accompanying Proxy Statement.

Only shareholders of record, as shown on the stock transfer books of Aaron's, on March 15, 2017 are entitled to notice of, or to vote at, the meeting. If you hold shares through a bank, broker or other nominee, more commonly known as holding shares in "street name," you must contact the firm that holds your shares for instructions on how to vote your shares.

If you were a shareholder of record on March 15, 2017, you are strongly encouraged to vote in one of the following ways whether or not you plan to attend the Annual Meeting: (1) by telephone; (2) via the Internet; or (3) by completing, signing and dating a written proxy card and returning it promptly to the address indicated on the proxy card.

BY ORDER OF THE BOARD OF DIRECTORS

Robert W. Kamerschen
Executive Vice President, General Counsel,
Chief Administrative Officer & Corporate Secretary

Atlanta, Georgia

March 20, 2017

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON MAY 2, 2017.

We are pleased to announce that beginning this year, we are delivering your proxy materials for the 2017 Annual Meeting of Shareholders via the Internet. Because we are delivering proxy materials via the Internet, the Securities and Exchange Commission requires us to mail a notice to our shareholders notifying them that these materials are available on the Internet and how these materials may be accessed. This notice, which we refer to as our “Notice of Proxy Materials,” will be mailed to our shareholders on or about March 20, 2017.

Our Notice of Proxy Materials will instruct you on how you may vote your proxy via the Internet or by telephone, or how you can request a full set of printed proxy materials, including a proxy card to return by mail. If you would like to receive printed proxy materials, you should follow the instructions contained in our Notice of Proxy Materials. Unless you request them, you will not receive printed proxy materials by mail.

The Proxy Statement and Annual Report are available free of charge on our website at <http://www.aarons.com/proxy> and <http://www.aarons.com/annualreport>, respectively, and at <http://www.envisionreports.com/AAN>

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PROXY SUMMARY

This Proxy Statement is furnished in connection with the solicitation by the board of directors of Aaron’s, Inc., which we refer to as “we,” “our,” “us,” “Aaron’s” or the “Company,” of proxies for use at the 2017 Annual Meeting of Shareholders, including any adjournment or postponement thereof, which we refer to as the “Annual Meeting.” This summary highlights certain material information relating to the Annual Meeting contained elsewhere in this Proxy Statement, but does not contain all of the information you should consider prior to casting your vote. As a result, you should read this entire Proxy Statement carefully before voting. We anticipate that our Notice and Access Letter will first be mailed, and that this Proxy Statement and our 2016 Annual Report to Shareholders will first be made available to our shareholders, on or about March 20, 2017.

2017 Annual Meeting of Shareholders

Date and Time May 2, 2017, at 9:00 a.m., local time

Place The SunTrust Conference Room
Atlanta Financial Center
3343 Peachtree Road, N.E. 30326

Record Date March 15, 2017

Voting Shareholders as of the record date are entitled to vote at the Annual Meeting. Each share of common stock is entitled to one vote for each director nominee and one vote for each of the other proposals to be voted on at the Annual Meeting.

Admission Attendance at the Annual Meeting will be limited to shareholders as of the record date or their authorized representatives.

Matters To Be Considered and Voting Recommendations

Proposal	Board Recommendation
Elect nine directors to serve for a term expiring at the 2018 Annual Meeting of Shareholders	“FOR” each director nominee
Vote on a non-binding advisory resolution approving Aaron’s executive compensation	“FOR”
Vote on a non-binding advisory recommendation to the board of directors regarding the frequency of the advisory vote on executive compensation	“FOR” annual vote
Ratify the appointment of Ernst & Young LLP as Aaron’s independent registered public accounting firm for 2017	“FOR”

See “Matters To Be Voted On” beginning on page 3 for more information.

Executive Compensation Matters

The Compensation Committee of our board of directors designed our executive compensation program to retain key executives and motivate them to foster a culture of engagement and performance. Our executive compensation program is also structured so that a meaningful percentage of compensation is tied to the achievement of challenging levels of corporate and personal performance objectives. We believe this design will enable us to meet the operational, financial and strategic objectives established by our board of directors. Each of our named executive officers identified in “Compensation Discussion and Analysis” generally has a greater portion of their total direct compensation that is variable and performance-based than do other employees. This is consistent with our philosophy that incentive compensation opportunities linked to performance -including financial, operating and stock price performance - should increase as overall responsibility increases.

Incentive compensation for 2016 performance reflects solid financial results. Despite the challenges faced by the traditional rent-to-own industry, the Compensation Committee was pleased with management’s achievements and our performance in 2016, particularly the following:

Growing total revenues by 1%, as compared to 2015, to a record of \$3.208 billion, driven by strong growth in our Progressive segment, offset by a decline in revenues from our traditional lease-to-own business, which we now refer to as our “Aaron’s Business,” in the face of an economy that has continued to prove challenging to traditional rent-to-own businesses;

Increasing Progressive’s revenues by nearly 18%, as compared to 2015, to \$1.238 billion, driven primarily by a 35.6% increase in the number of active doors, and improving its pre-tax earnings by \$50.2 million to \$104.7 million, an increase of 92%;

Achieving pre-tax earnings of \$218.4 million, a nearly 2.5% increase from the \$213.1 million reached in 2015;

Ending 2016 with \$308.6 million in cash and a net debt to total capitalization ratio of 9.6%;

Returning about \$42 million of capital to shareholders through share repurchases and the payment of cash dividends;

Investing in and further improving the Company’s compliance programs and achieving compliance objectives;

Capturing about \$12 million in cost reductions through initiatives implemented at our Aaron’s store support center and in the field;

Improving the percentage of lease revenue for the Aaron’s Business generated from our Aarons.com website from 1.1% for 2015 to 4.3% for 2016; and

Selling our 82 Company-operated HomeSmart stores, to strengthen our focus on improving our Aaron’s Business. Based on our 2016 performance, the Compensation Committee approved the following incentive awards for our named executive officers:

Messrs. John W. Robinson III and Steven A. Michaels earned annual cash incentive awards of 97% of target based on Company-wide financial performance. Mr. Douglas A. Lindsay earned an annual cash incentive award of 74% of target based on Aaron’s Business results for financial performance and compliance-related goals. Messrs. Ryan K. Woodley and Curtis L. Doman earned annual cash incentive awards of 155% of target, based on Progressive’s results for financial performance and compliance-related goals.

Our named executive officers also earned awards under the performance share component that constitutes 50% of their annual grant values under our 2016 long-term incentive program. Messrs. Robinson and Michaels earned awards at 98% of target, based on the Company’s overall performance. Mr. Lindsay earned awards at 74% of target, based on the financial performance of our Aaron’s Business and the Company as a whole. Messrs. Woodley and Doman earned awards at 129% of target based on the financial performance of Progressive and the Company as a whole. The value realized from these awards was greater than the corresponding grant date target values in light of the subsequent increase in our stock price. Further, for the stock options and time-based restricted stock units that comprise the remainder of the annual grant for our named executive officers, our stock price increase resulted in year-end award values that were also greater than the grant date award values.

See “Compensation Discussion and Analysis” beginning [on page 16](#) for more information.

MATTERS TO BE VOTED ON

Proposal 1-Election of Directors

Our board of directors recommends the election of the nominees listed below, each of whom will have a term of office expiring at our 2018 Annual Meeting of Shareholders. If, at the time of the Annual Meeting, any of such nominees should be unable to serve, the persons named in the proxy will vote for such substitutes as our board of directors recommends. In no event will the proxy be voted for more than nine nominees. Our management has no reason to believe that any nominee for election at the Annual Meeting will be unable to serve if elected, however.

The following table provides summary information about each nominee, all of whom currently serve on our board of directors. All of the nominees listed below have consented to serve as directors if elected.

Nominee	Age	Occupation	Independent	Joined Our Board
Kathy T. Betty	61	Former Owner Atlanta Dream (WNBA team) Managing Principal	Yes	August 2012
Douglas C. Curling	62	New Kent Capital LLC and New Kent Consulting LLC President and Chief Executive Officer	Yes	January 2016
Cynthia N. Day	51	Citizens Bancshares Corporation and Citizens Trust Bank Chief Technology Officer	Yes	October 2011
Curtis L. Doman	44	Progressive	No	August 2015
Walter G. Ehmer	51	President and Chief Executive Officer Waffle House, Inc.	Yes	May 2016
Hubert L. Harris, Jr.	73	Former Chief Executive Officer Invesco North America	Yes	August 2012
John W. Robinson III	45	President and Chief Executive Officer Aaron's, Inc.	No	November 2014
Ray M. Robinson	69	Former President for the Southern Region AT&T	Yes	November 2002
Robert H. Yanker	58	Director Emeritus McKinsey & Company	Yes	May 2016

Assuming a quorum is present, a nominee will be elected upon the affirmative vote of a majority of the total votes cast at the Annual Meeting, which means that the number of votes cast in favor of a nominee's election exceeds the number of votes cast against that nominee's election. If an incumbent director fails to receive a majority of the votes cast, the incumbent director will promptly tender his or her resignation to our board of directors. Our board of directors can then choose to accept the resignation, reject it or take such other action that our board of directors deems appropriate.

Our board of directors recommends that you vote "FOR" the election of each of the nominees above.

Proposal 2-Advisory Vote on Executive Compensation

We provide our shareholders with the annual opportunity to cast an advisory vote on the compensation of our named executive officers. The vote on this proposal represents an additional means by which we obtain feedback from our shareholders about executive compensation. Our Compensation Committee sets executive compensation for our named executive officers, which is designed to link pay with performance while enabling us to competitively attract, motivate and retain key executives. The overall objective of our executive compensation program is to encourage and reward the creation of sustainable, long-term shareholder value.

To meet this objective, in 2016 the Compensation Committee's deliberations regarding how much to pay our named executive officers included, among other performance metrics, (i) objective measurements of business performance, (ii) the accomplishment of strategic and financial objectives, (iii) the development of management talent, (iv) enhancement of shareholder value