

**RAC**

***Rent-A-Center***<sup>®</sup>

*Investor Presentation  
Third Quarter 2002*



November 4, 2002

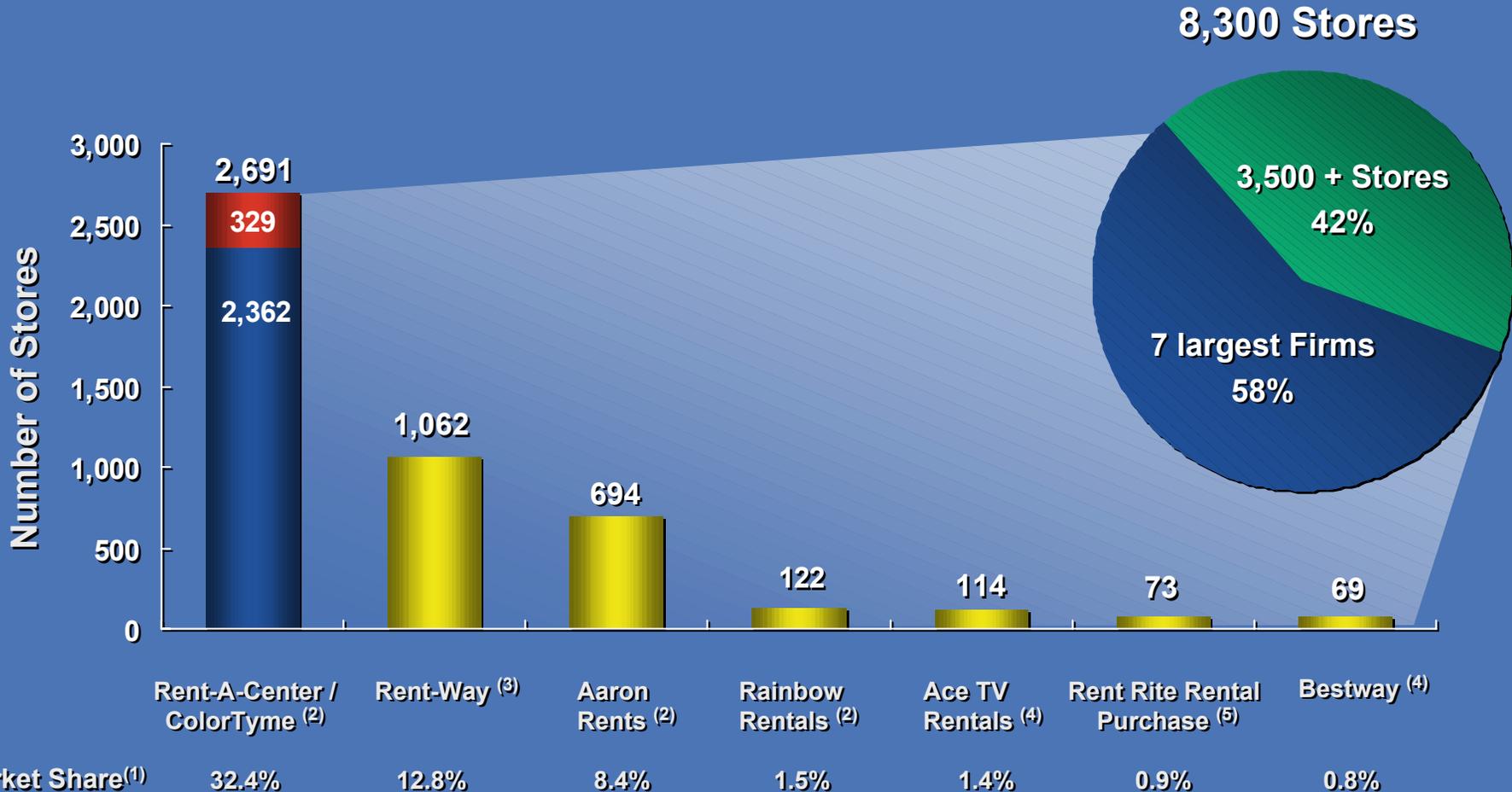
# Key Investment Considerations

- Leading rent-to-own operator in U.S.
- Proven business model
- Multiple growth drivers
- Strong financial and operating results
  - Total revenue growth of 10.6% (3Q02)
  - Same Store Sales growth of 6.9% (3Q02)
  - Net Income rose 70% (3Q02)
  - Strong balance sheet - reduced debt by \$41.3MM (3Q02) & \$169.3MM September YTD
  - Strong free cashflow before financing activities of \$195MM (September YTD)
- Experienced management team

# Leading RTO Operator in U.S.

- Largest rent-to-own operator in the U.S.
  - 28% market share based on store count (2,362 stores)
  - ColorTyme subsidiary represents an additional 4% market share
- Broad selection of high quality goods through flexible rental agreements
  - Home electronics
  - Appliances
  - Personal computers
  - Furniture and home accessories
- Primarily serves the “underbanked” consumer
- Generated \$1.97BN in LTM revenue and \$371.0MM in LTM EBITDA as of September 30, 2002

# Dominant Player in Fragmented Marketplace

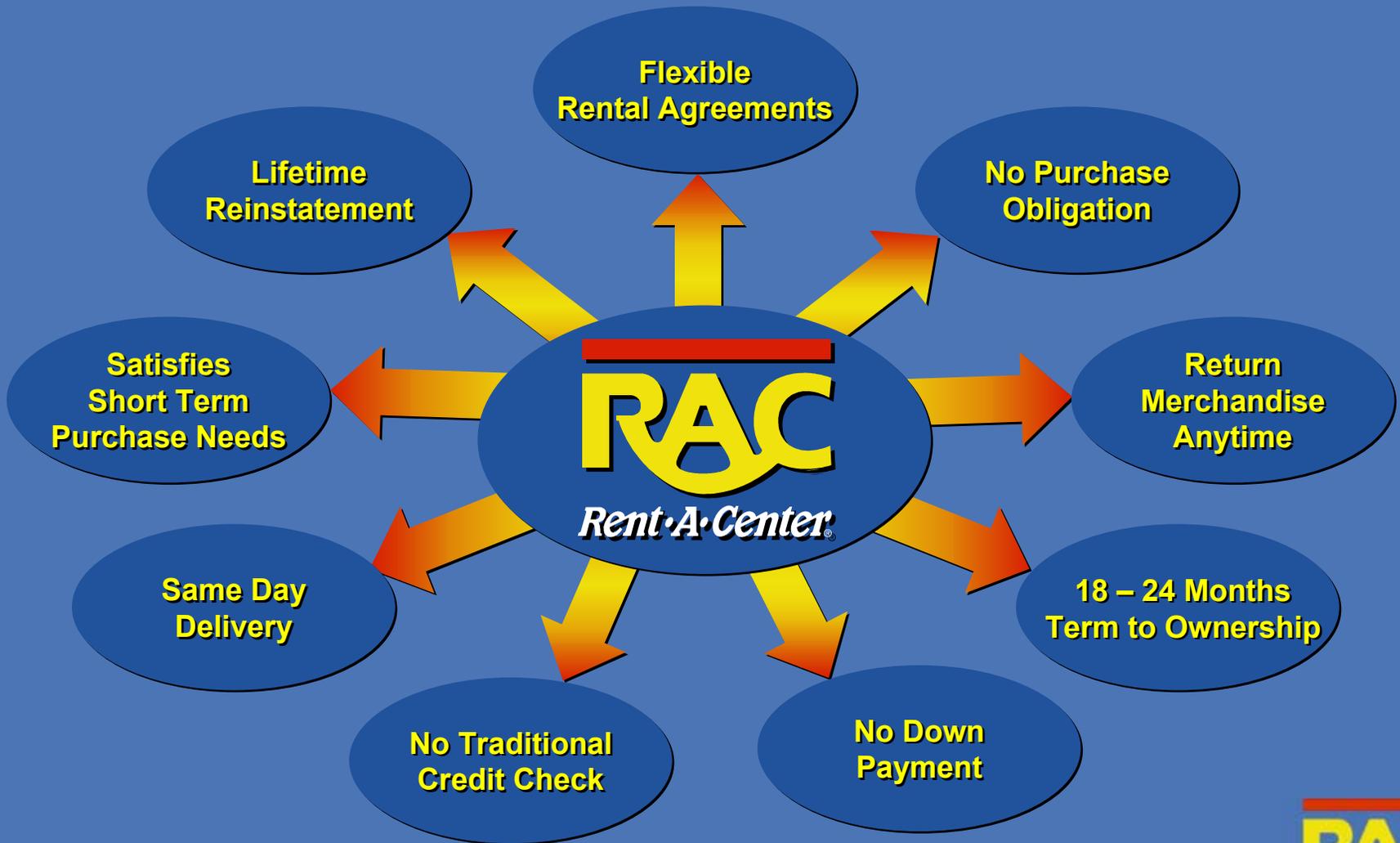


- Notes: (1) Based on Association of Progressive Rental Organization (APRO) estimates in 2002 Industry Survey of 8,300 total stores  
 (2) Quarter ended September 30, 2002 earnings press release  
 (3) Company issued press release October 10, 2002  
 (4) Company website - Store locations  
 (5) APRO 2002 Industry Survey

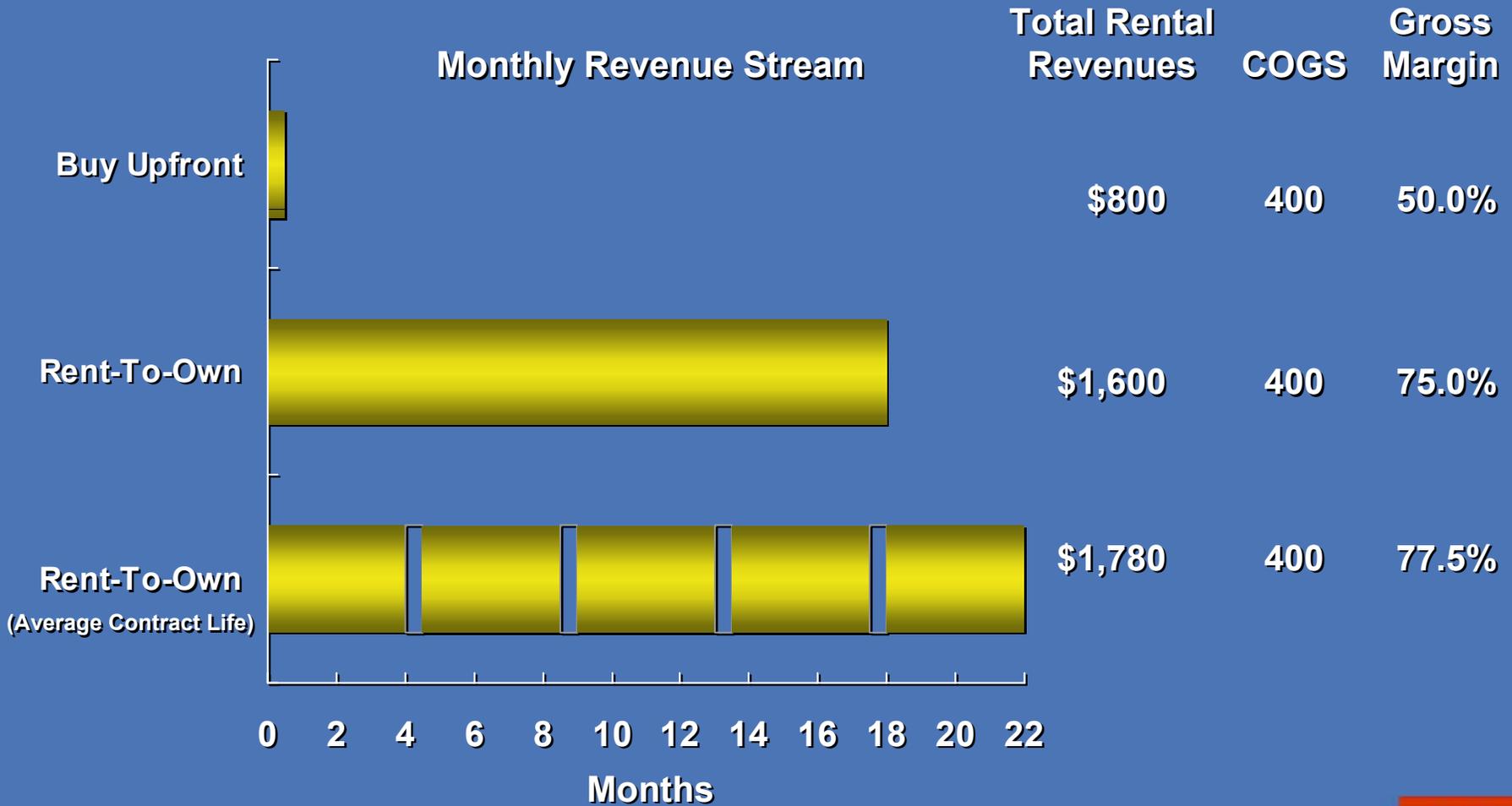




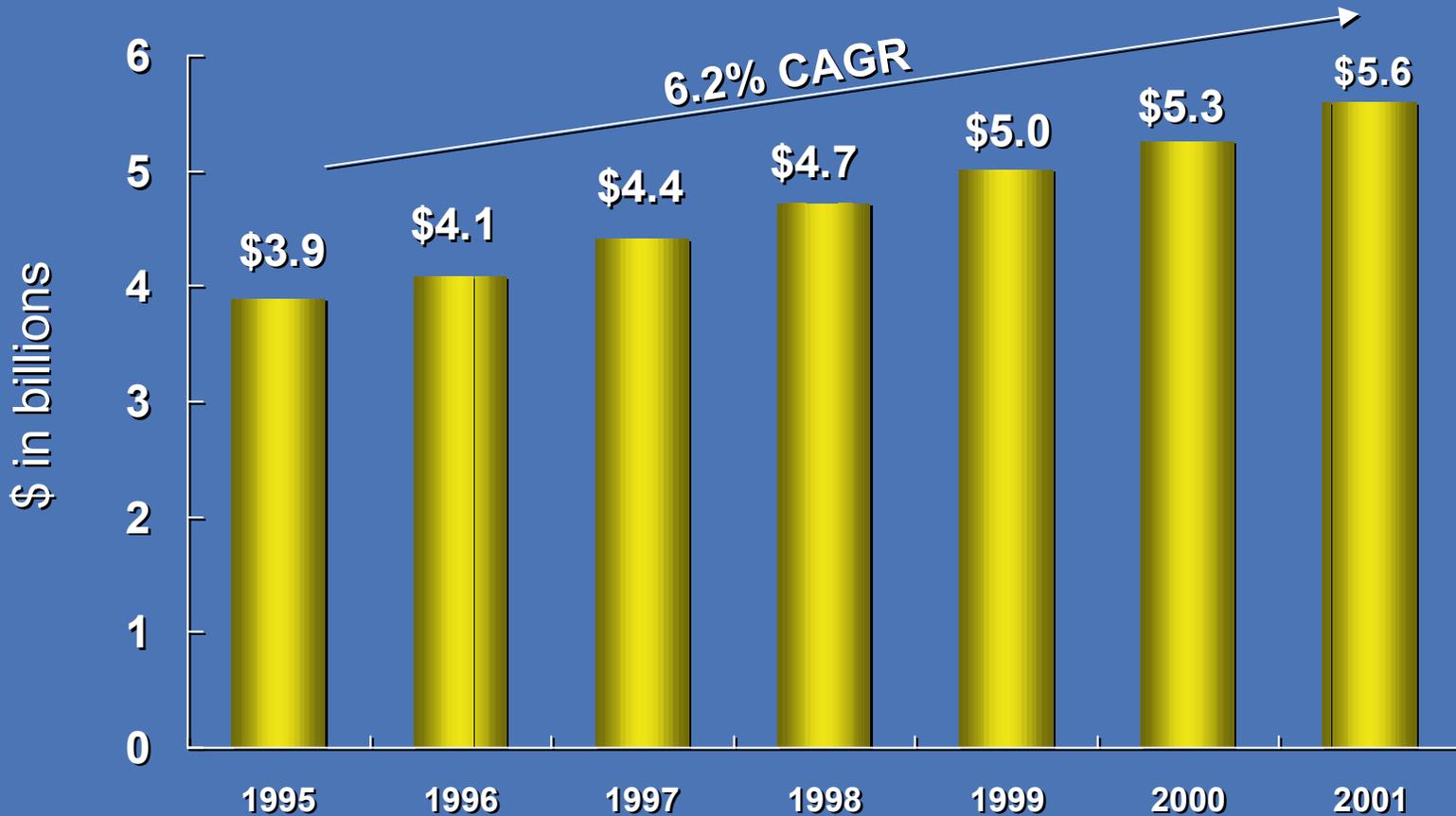
# Rent-to-Own is an Appealing Transaction...



# ...With Attractive Economics ...



# ...Consistent Industry Growth...



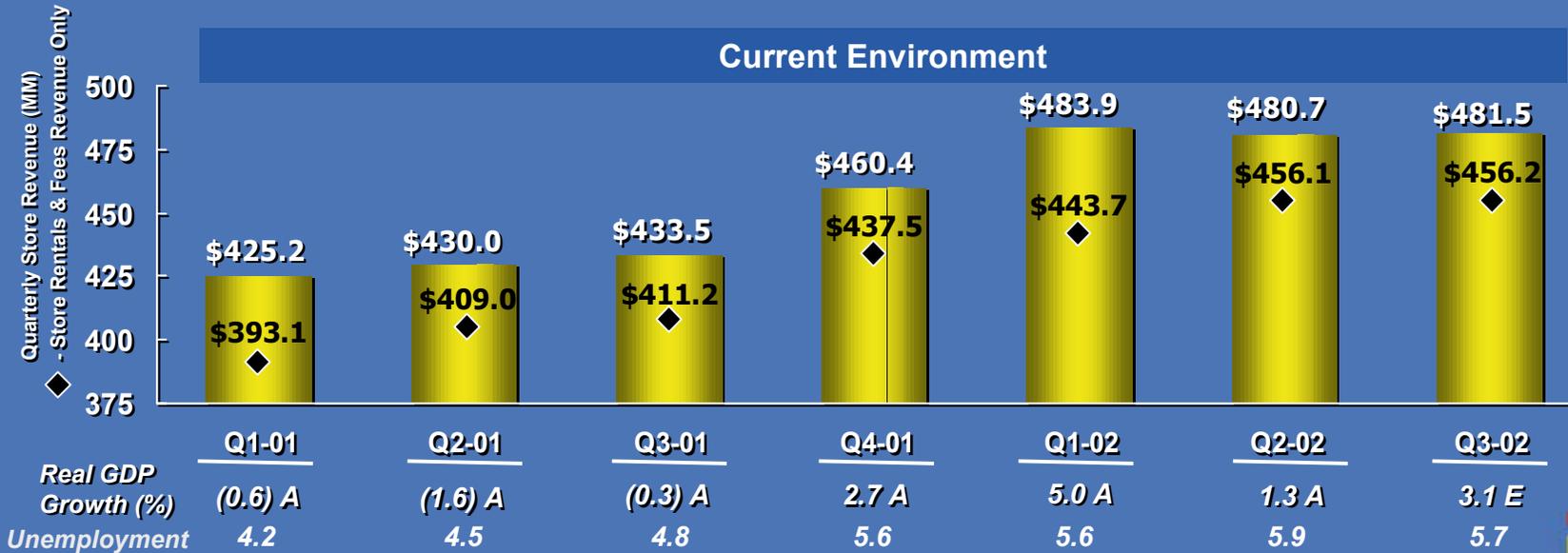
Source: APRO

# ...In Any Economic Environment

## Late 1990's Economic Boom



## Current Environment



Notes: (1) Represents recurring earnings per share before \$7.5MM and \$11.5MM of non-recurring charges in Q3 1998 and Q4 1998, respectively.

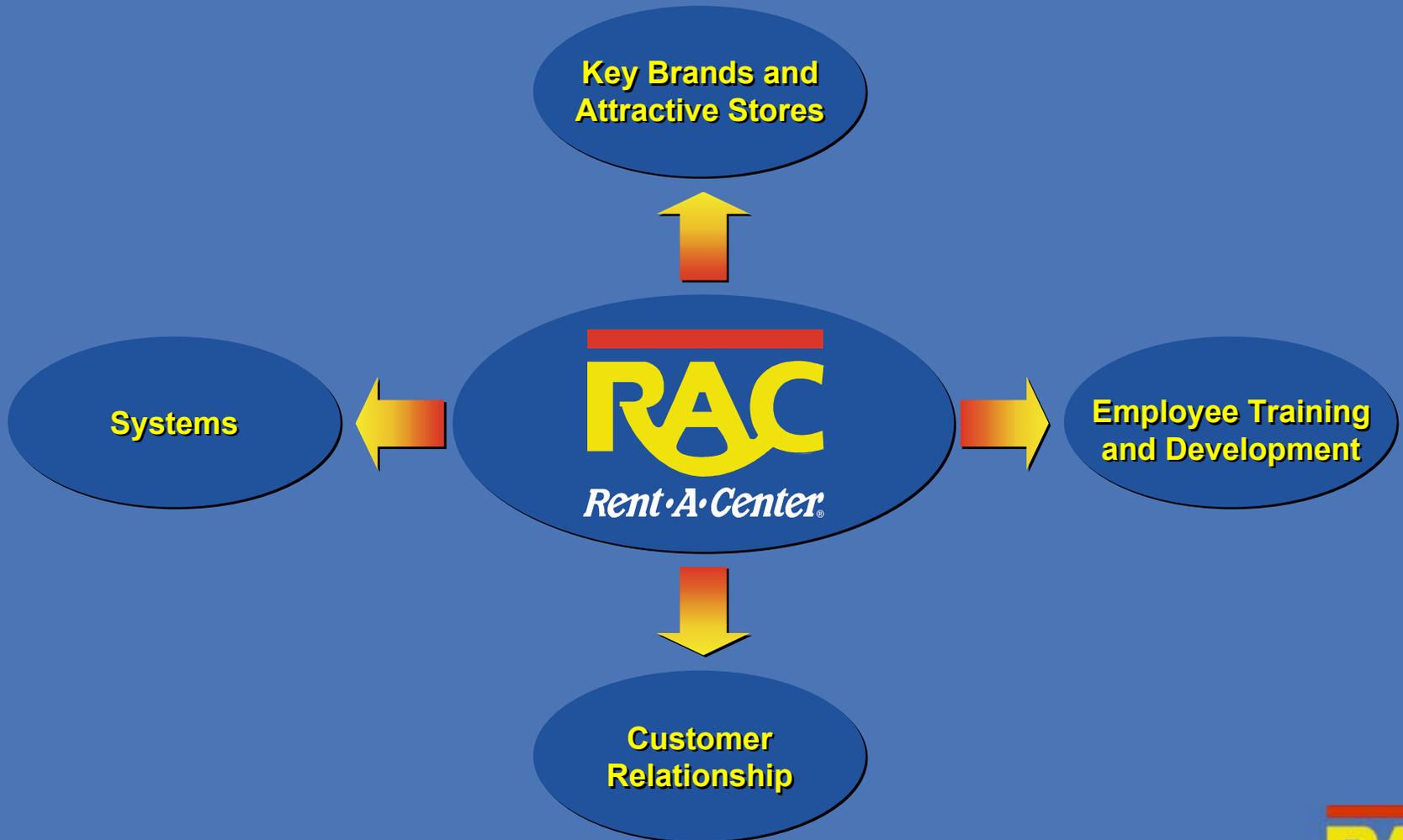


# Serves the “Underbanked Working Family”

- 92% of Customers Have Household Incomes Between \$15,000 and \$50,000<sup>(1)</sup>
- 44MM Households With Household Incomes Between \$15,000 and \$50,000<sup>(1)</sup>
- Industry Is Only Serving 2.8MM of These Households<sup>(2)</sup>
- Great Market Opportunity

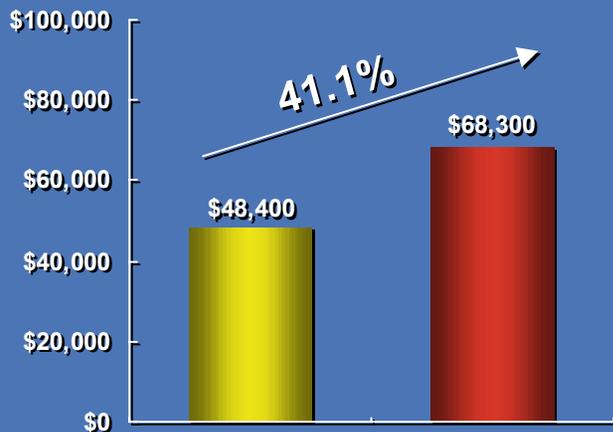
Note: (1) America's Research Group, February 1999  
(2) APRO 2002 Industry Survey

# Proven Business Model

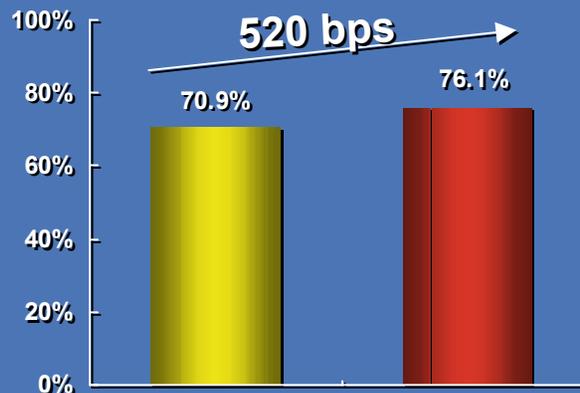


# Rent-A-Center Store Profitability vs. Peers

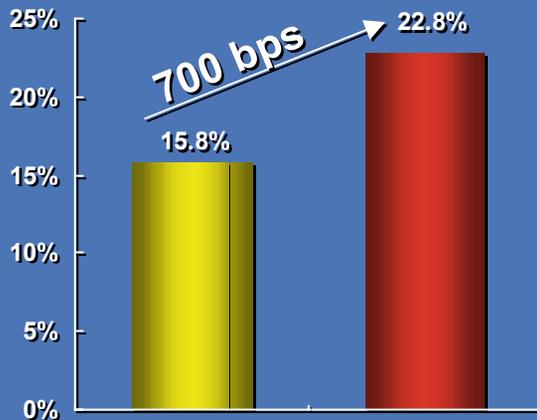
## Monthly Revenue



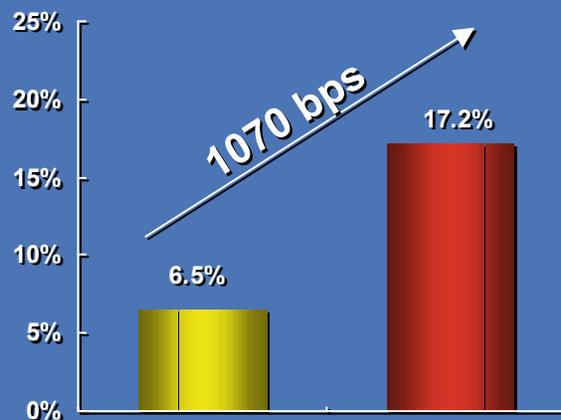
## Gross Profit Margin



## Store Operating Margin



## EBITA Margin



■ Industry Average (1)

■ Average RCII Store (2)

Notes: (1) Source: APRO 2001 Data.

(2) Per LTM data for the period ended September 30, 2002 for Rent-A-Center stores (excludes ColorTyme)

(3) Store Operating Margin is before overhead allocation

# Easily Accessible, Highly Visible Sites



# Spacious Showroom Interior



# High Quality, Brand-name Merchandise

**Electronics**  
42% of Revenues

**SONY**

**MAGNAVOX**

**JVC**

**Mitsubishi**

**Furniture**  
32% of Revenues

**England**

**Simmons**

**ASHLEY**

**Appliances**  
16% of Revenues

**Whirlpool**

**Computers**  
10% of Revenues

**hp**

**DELL**

**COMPAQ**

# State-of-The Art Systems Capabilities

## Inventory Analysis

REPORT: INVENTORY ANALYSIS

ITEM	QTY	UNIT	PRICE	AMOUNT	DATE	STATUS
1001	10	EA	1.00	10.00	12/31	OK
1002	5	EA	2.00	10.00	12/31	OK
1003	2	EA	5.00	10.00	12/31	OK
1004	1	EA	10.00	10.00	12/31	OK
1005	1	EA	10.00	10.00	12/31	OK

## BOR & Credit Analysis

REPORT: BOR & CREDIT ANALYSIS

ITEM	QTY	UNIT	PRICE	AMOUNT	DATE	STATUS
1001	10	EA	1.00	10.00	12/31	OK
1002	5	EA	2.00	10.00	12/31	OK
1003	2	EA	5.00	10.00	12/31	OK
1004	1	EA	10.00	10.00	12/31	OK
1005	1	EA	10.00	10.00	12/31	OK

## Store Income Analysis

REPORT: STORE INCOME ANALYSIS

INCOME CATEGORY	YTD	MTD	WTD	YTD	%	BEV	WTD
Net Sales	374.24	4.64	3,029.27	20.74	10.67	11.28	76.90
Net Income	111.71	2.04	476.14	4.24	774.79	1.28	73.81
Net Profit	86.97	1.14	3,271.49	16.24	14.93	10.24	69.67

## Exceptions Report

REPORT: EXCEPTIONS REPORT

DESCRIPTION	DATE	AMOUNT	STATUS
Due to be corrected on 03/05/2005	03/05/2005	10.00	OPEN
Item 1001 received on 03/05/2005	03/05/2005	10.00	OPEN
Item 1002 received on 03/05/2005	03/05/2005	10.00	OPEN
Item 1003 received on 03/05/2005	03/05/2005	10.00	OPEN
Item 1004 received on 03/05/2005	03/05/2005	10.00	OPEN
Item 1005 received on 03/05/2005	03/05/2005	10.00	OPEN

- Daily reports at all levels of organization from store manager to Chairman/CEO
- Manage by exception philosophy
- Systems help enforce strict inventory/cost control

# Strategic Objectives

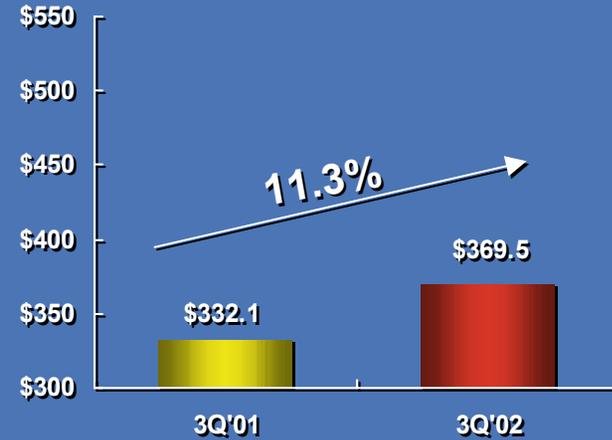
- Improve store level profitability
- Open new stores
- Acquire existing rent-to-own stores
- National branding

# Improved Store Level Profitability - 3Q Review

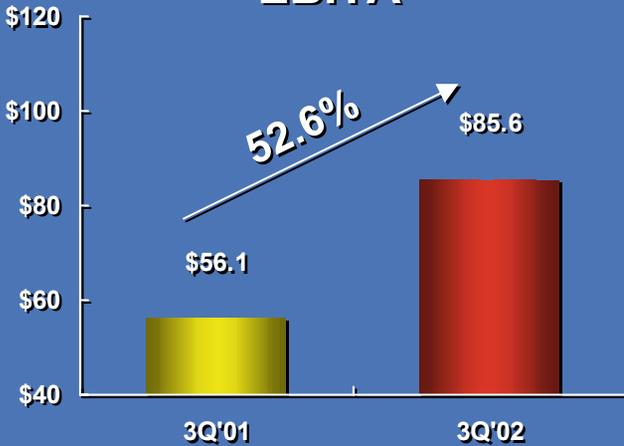
## Revenue



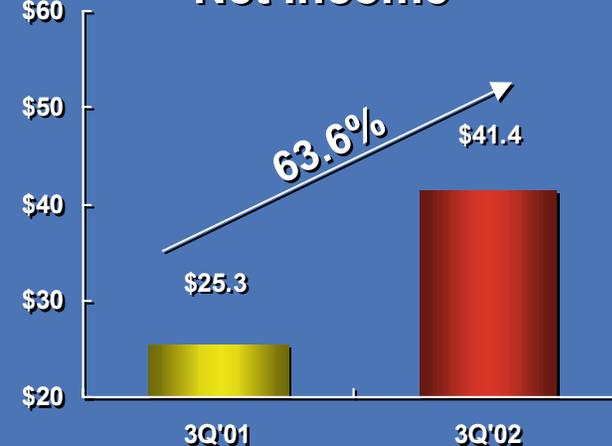
## Gross Profit



## EBITA



## Net Income<sup>(1)</sup>



EBITA Margin	12.6%	17.3%

Net Income Margin	5.7%	8.4%

Note: (1) Before preferred dividend and adjusted to exclude goodwill amortization and non-recurring charge for gender discrimination lawsuit in Q3'01.

# Significant Market Opportunity



# Strong New Store Economics

- Start-up investment of approximately \$450,000 (2/3 for inventory)
- Begin turning a monthly profit in approximately nine months
- Cumulative break even within 18–24 months
- Internal Rate of Return of approximately 50%<sup>(1)</sup>

	Year 1	Year 2	Year 3	Year 4
<b>Revenues</b>	\$400,000	\$650,000	\$750,000	\$800,000
<b>Store operating margins</b>	(25.0%)	10.0%	17.0%	20.0%
<b>EBITDA</b>	(\$85,000)	\$80,000	\$140,000	\$170,000

Note: (1) Before market and corporate allocation and income tax expense.

# Enhancing National Brand – “Get The Good Stuff”

**John Madden**  
**National Advertising Spokesperson**



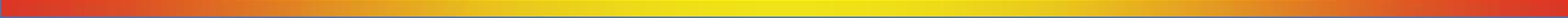
- Solidify reputation as leading provider of quality merchandise
- Educate consumers about RTO alternative
- Strong image identification
- Multi-cultural appeal

# Experienced Management Team

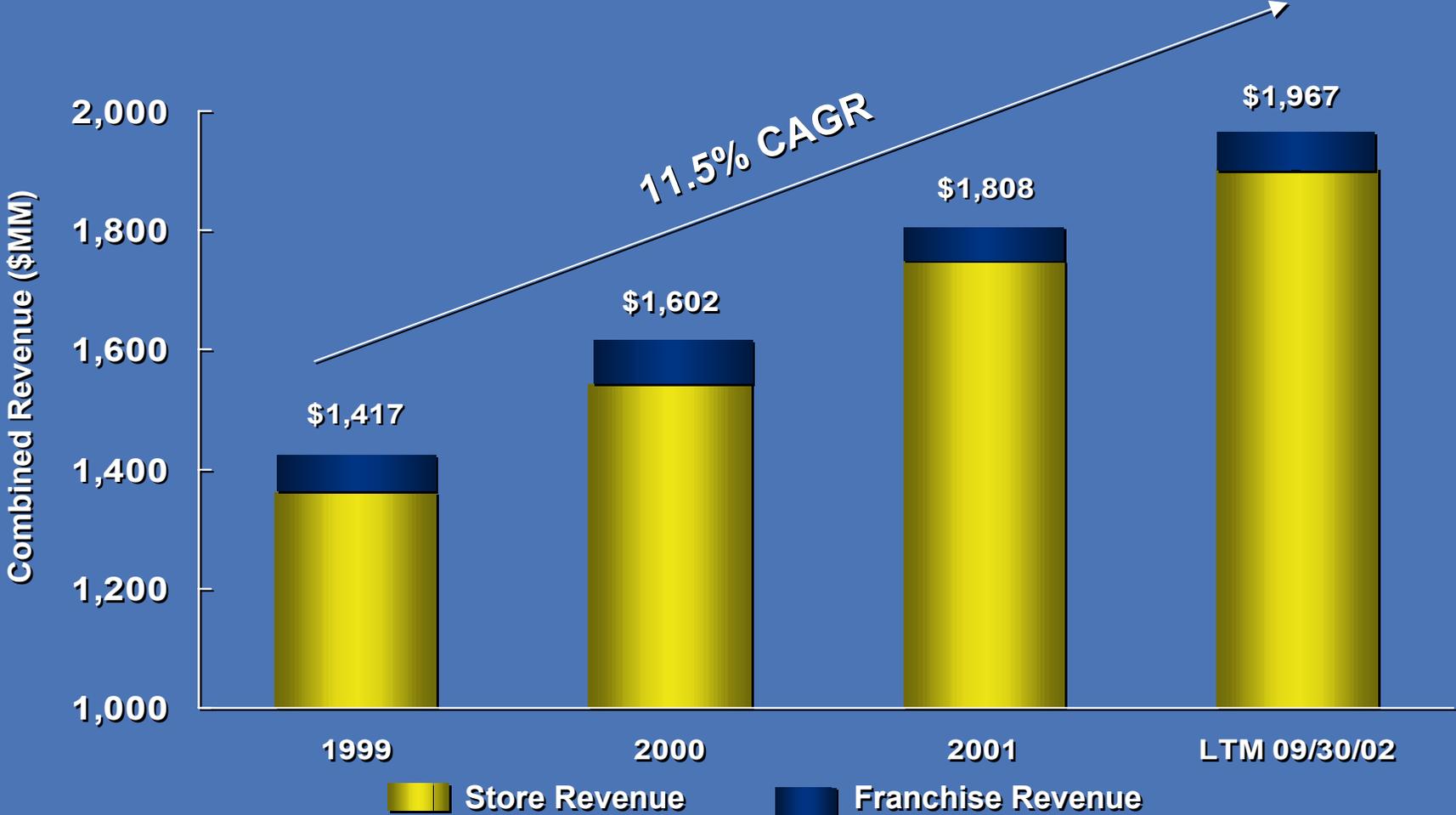
- Senior management team is most experienced in RTO industry
  - CEO Mark Speese has nearly 25 years RTO experience
  - President Mitch Fadel has over 19 years of RTO experience
  - Senior executives average over 10 years of RTO experience
- Attracting the best personnel with industry-leading salary and incentive plans



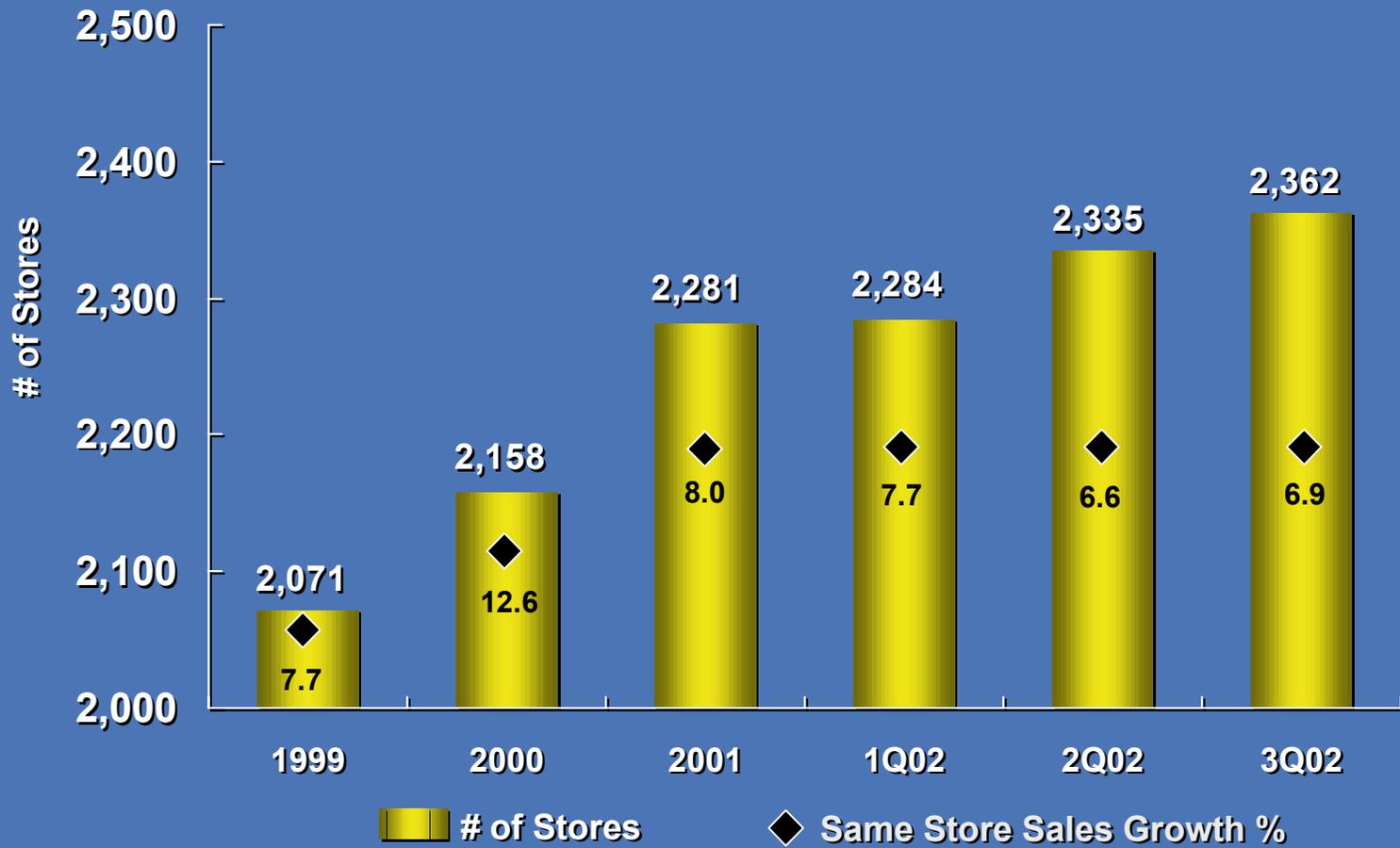
# Financial Overview



# Strong, Consistent Sales Growth



# Consistent Growth in Same Store Sales



# Current Capital Structure

	<u>Dec 31</u> <u>2001</u>	<u>% of Book</u> <u>Capital</u>	<u>Sept 30</u> <u>2002</u>	<u>% of Book</u> <u>Capital</u>
Cash & Equivalents	<u>\$108.0</u>	<u>N/A</u>	<u>\$110.3</u>	<u>N/A</u>
Senior Credit Facilities	428.0	30.6%	260.0	19.4%
Subordinated Notes	<u>274.5</u>	<u>19.6%</u>	<u>273.3</u>	<u>20.3%</u>
Total Debt	702.5	50.2%	533.3	39.7%
Shareholders' Equity	<u>697.3</u>	<u>49.8%</u>	<u>809.4</u>	<u>60.3%</u>
Total Capitalization	<u>\$1,399.8</u>	<u>100.0%</u>	<u>\$1,342.7</u>	<u>100.0%</u>

Consolidated Leverage Ratio 1.4x (3Q02)

Consolidated Interest Coverage Ratio 6.08x (3Q02)

# Substantial Free Cash Flow to Reduce Debt & Repurchase Common Stock

<b>Cash Flow Generation</b>	<b>Sept 2002 YTD</b>
Net Income	\$ 127.0
Amortization of Intangibles	3.2
Amortization of Financing Fees	5.5
Depreciation of Property Assets	28.5
Net Investment in Rental Merchandise	43.5
Change in Other Assets/Liabilities	58.0
<b>Free Cash Flow provided by Operating Activities</b>	<b>\$ 265.7</b>
Capital Expenditures	(27.6)
Acquisitions	(43.3)
Sale of Property Assets	0.2
<b>Free Cash Flow before Financing Activities</b>	<b>\$ 195.0</b>

# 2003 Recurring Free Cash Flow Estimate

<b>EBITDA</b>		<b>\$415MM - \$435MM</b>
<b>Less:</b>		
Interest	<b>\$ 55MM</b>	
CAPEX	<b>\$ 40MM</b>	
• \$35MM Maintenance		
• \$5MM New Stores		
Working Capital	<b>\$ 60MM</b>	
Taxes	<b>\$120MM</b>	
Total	<b>\$275MM</b>	
<b>Free Cash Flow Before Financing Activities</b>		<b>\$140MM - \$160MM</b>

# Guidance

	<u>2002</u>	<u>2003*</u>	<u>Growth</u>
Total Revenue	\$1.988-1.993BN	\$2.085-2.093BN	4.5-5.5%
Diluted EPS	\$4.79-\$4.82	\$5.30-\$5.45	10-14%

\* Does not include Acquisitions

# Key Investment Considerations

- Leading rent-to-own operator in U.S.
- Proven business model
- Multiple growth drivers
- Strong financial and operating results
  - Total revenue growth of 10.6% (3Q02)
  - Same Store Sales growth of 6.9% (3Q02)
  - Net Income rose 70% (3Q02)
  - Strong balance sheet - reduced debt by \$41.3MM (3Q02) & \$169.3MM September YTD
  - Strong free cashflow before financing activities of \$195MM (September YTD)
- Experienced management team

*These materials contain forward-looking statements that involve risks and uncertainties. Although the Company believes that the expectations reflected in such forward looking statements will prove to be correct, the Company can give no assurance that such expectations will prove to have been correct. The actual future performance of the company could differ materially from such statements. Factors that could cause or contribute to such differences include, but are not limited to, (i) the ability to enhance the performance of existing stores, (ii) the Company's ability to find locations that meet the Company's criteria for new store locations, and the Company's ability to locate existing stores that the Company could acquire under acceptable terms, (iii) the passage of legislation adversely affecting the rent-to-own industry, (iv) the result of our litigation, (v) the ability of the Company to collect on its rental purchase agreements at the current rate, (vi) the ability of the Company to control expenses and improve operating margins, and (vii) the other risks detailed from time to time in the Company's SEC reports, including its annual report Form 10-K for the year ended December 31, 2001, and its quarterly report Form 10-Q for the three months ended September 30, 2002. You are cautioned not to place reliance on these forward-looking statements, which speak only as of the date of these materials. Excepts as required by law, the Company is not obligated to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.*