

# RAC

*Rent·A·Center®*

*Investor Presentation  
Second Quarter 2004*



July 26, 2004

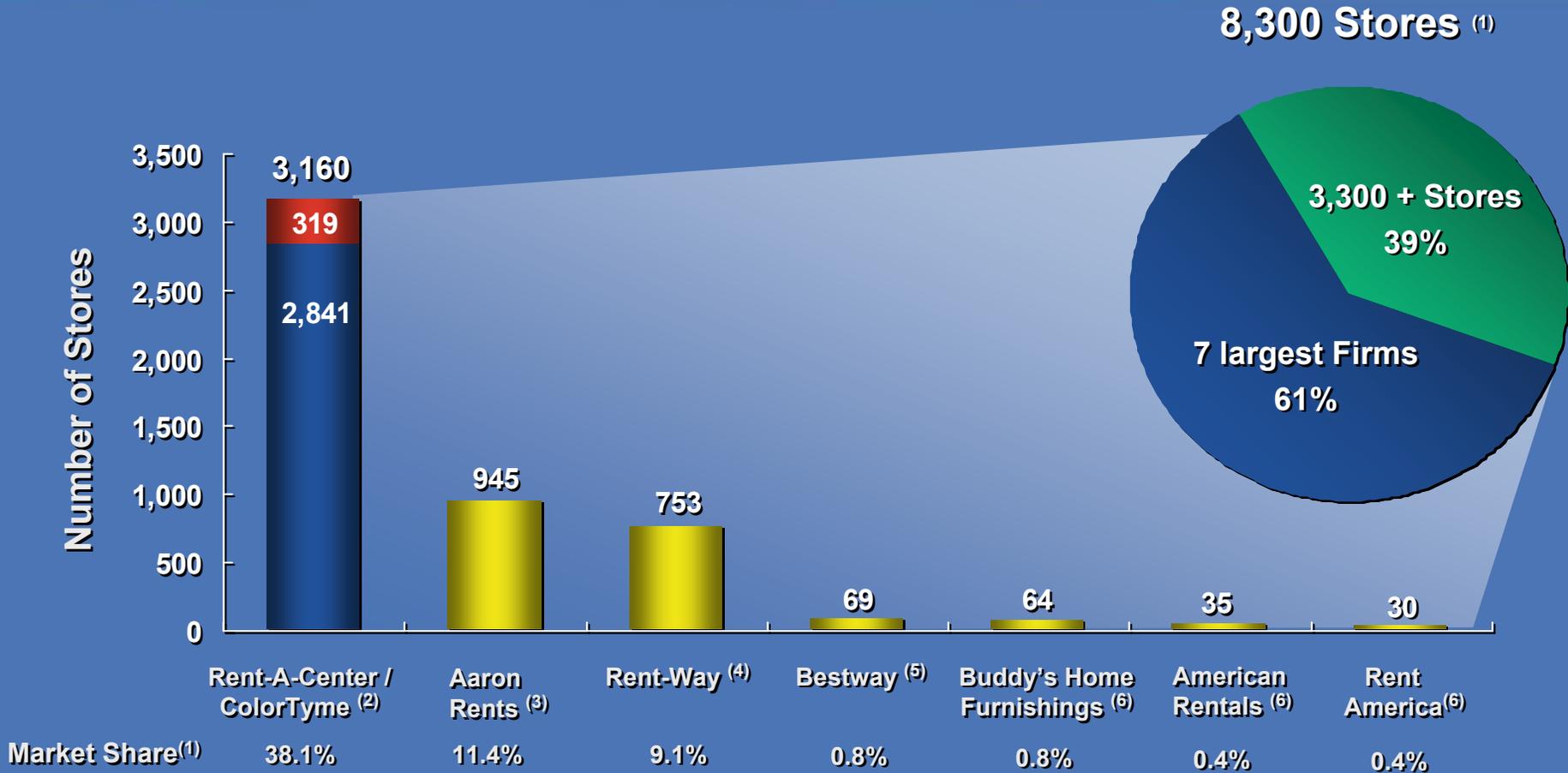
# Key Investment Rationale

- Leading rent-to-own operator in the U.S.
- Proven business model
- Multiple growth drivers
- Growth in any economic environment
- Predictable revenue stream
- Strong cash flow generation
- Experienced management team

# Leading RTO Operator in U.S.

- Largest rent-to-own operator in the U.S.
  - 34% market share based on 2,841 store count as of 06/30/04
  - ColorTyme subsidiary represents an additional 4% market share
- Broad selection of high quality goods through flexible rental agreements
  - Home electronics – 38% of rental revenue
  - Furniture and home accessories - 36% of rental revenue
  - Appliances - 16% of rental revenue
  - Personal computers - 10% of rental revenue
- Primarily serves the “underbanked” consumer
- Generated \$2.27 billion in LTM revenue and \$417.0 million in LTM EBITDA as of June 30, 2004

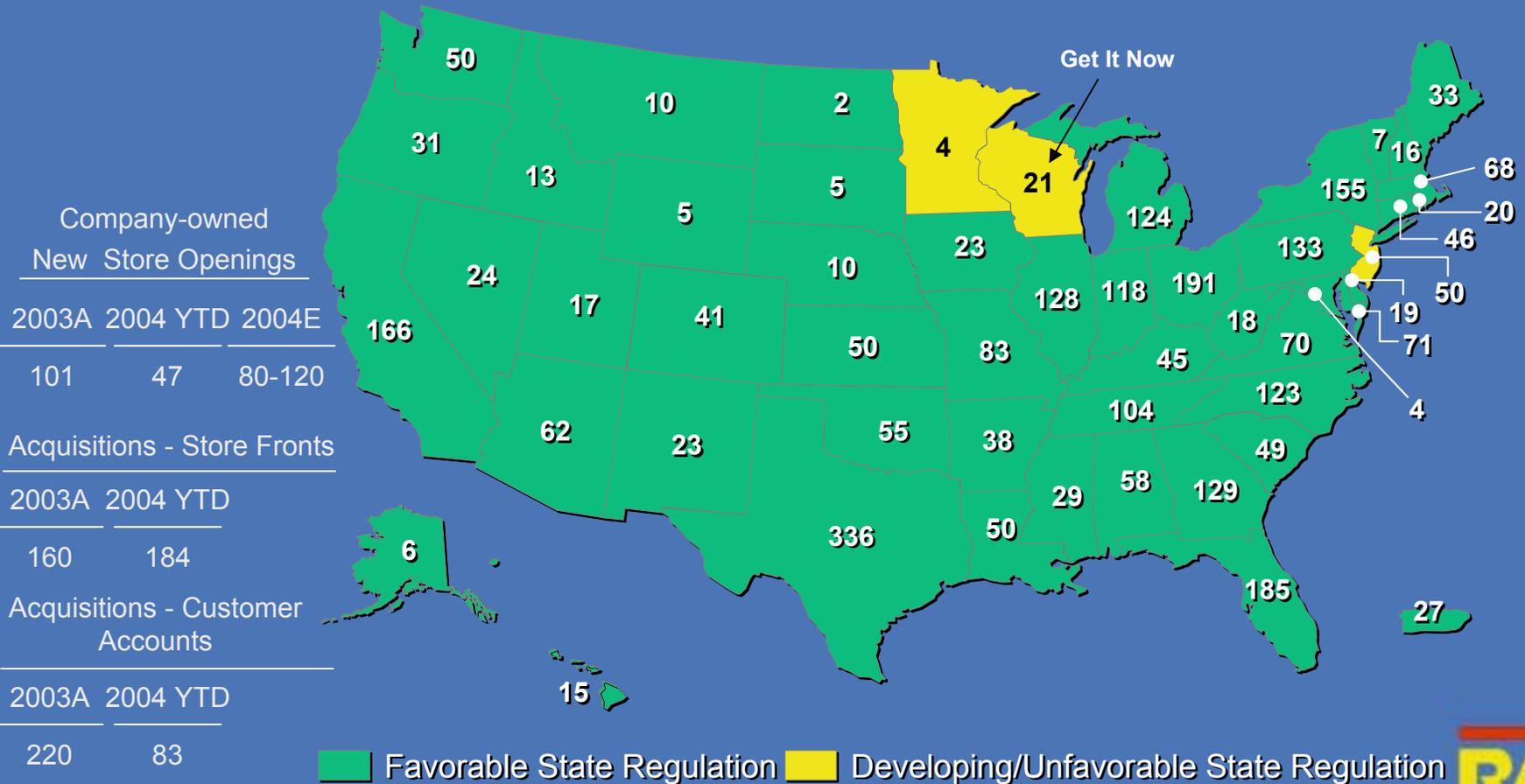
# Leading Player in Fragmented Marketplace



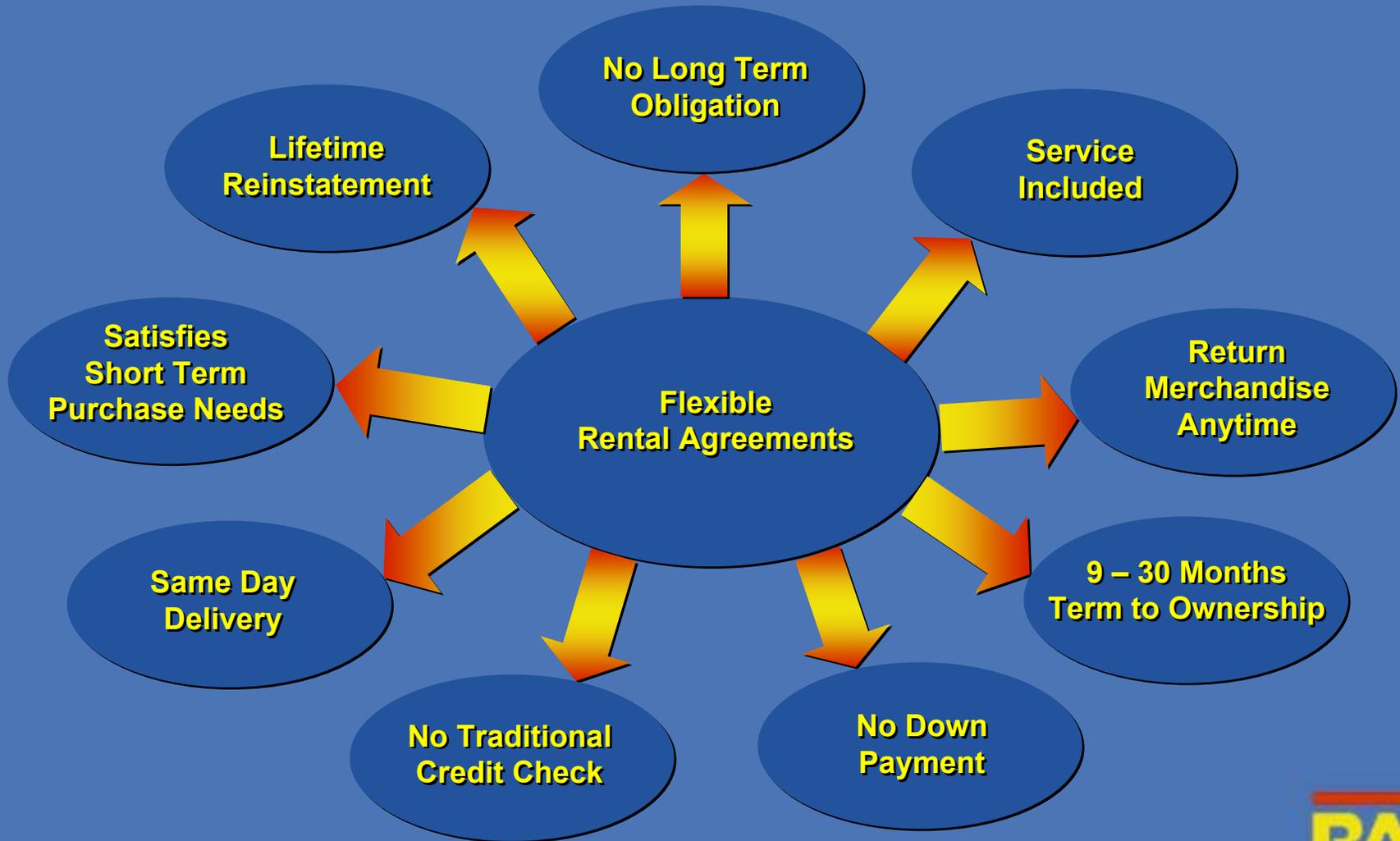
- Notes:
- (1) Based on Association of Progressive Rental Organization (APRO) estimates in 2003 Industry Survey of 8,300 total stores
  - (2) Company data as of June 30, 2004
  - (3) Company press release of July 12, 2004, includes estimated 12 Sight & Sound stores
  - (4) Company press release of July 8, 2004
  - (5) Company press release of June 8, 2004
  - (6) Company website estimates as of July 21, 2004

# Leading National Footprint

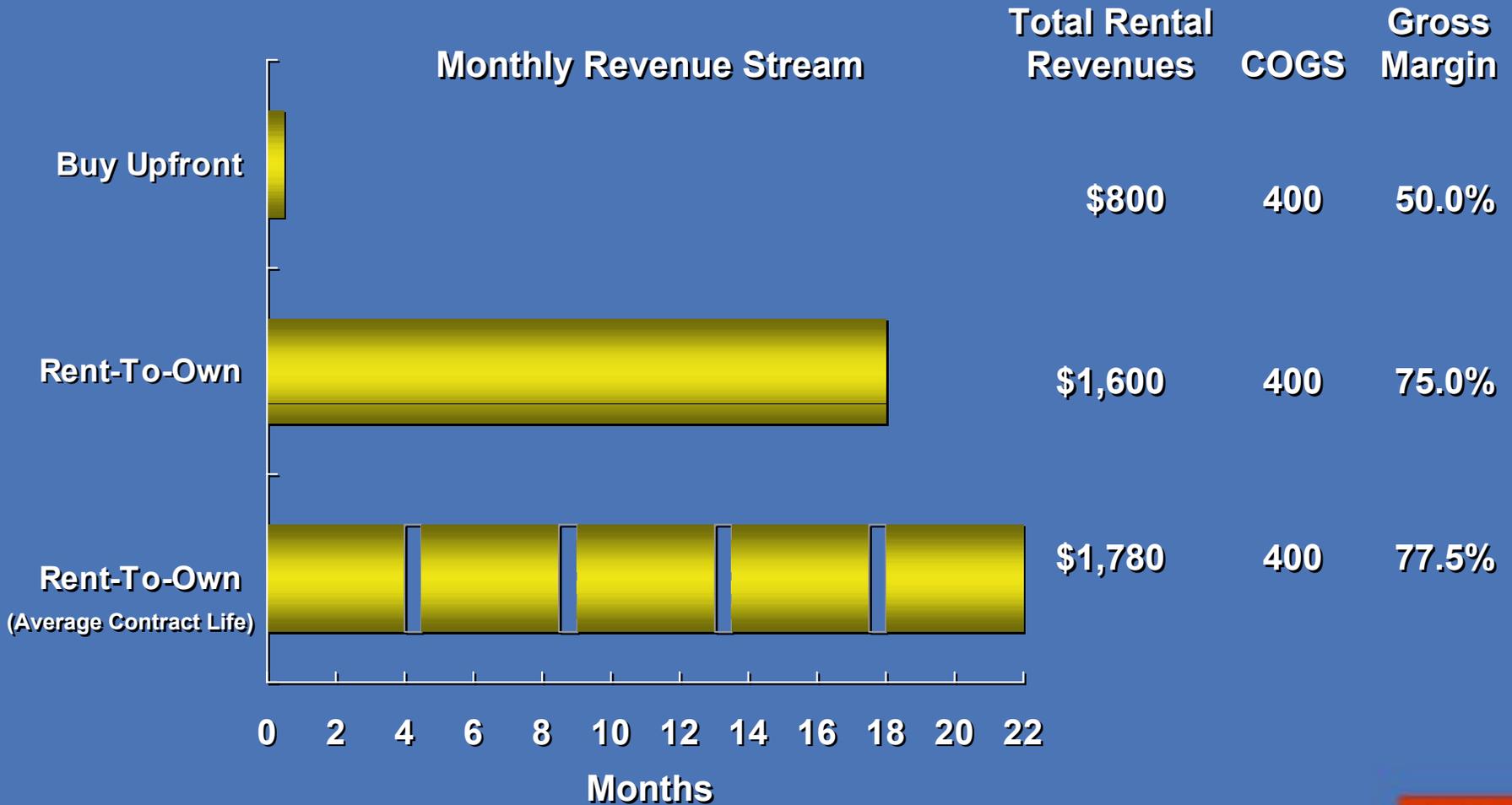
**2,841 domestic company-owned stores and 319 franchised stores**  
 5 company-owned stores in Canada



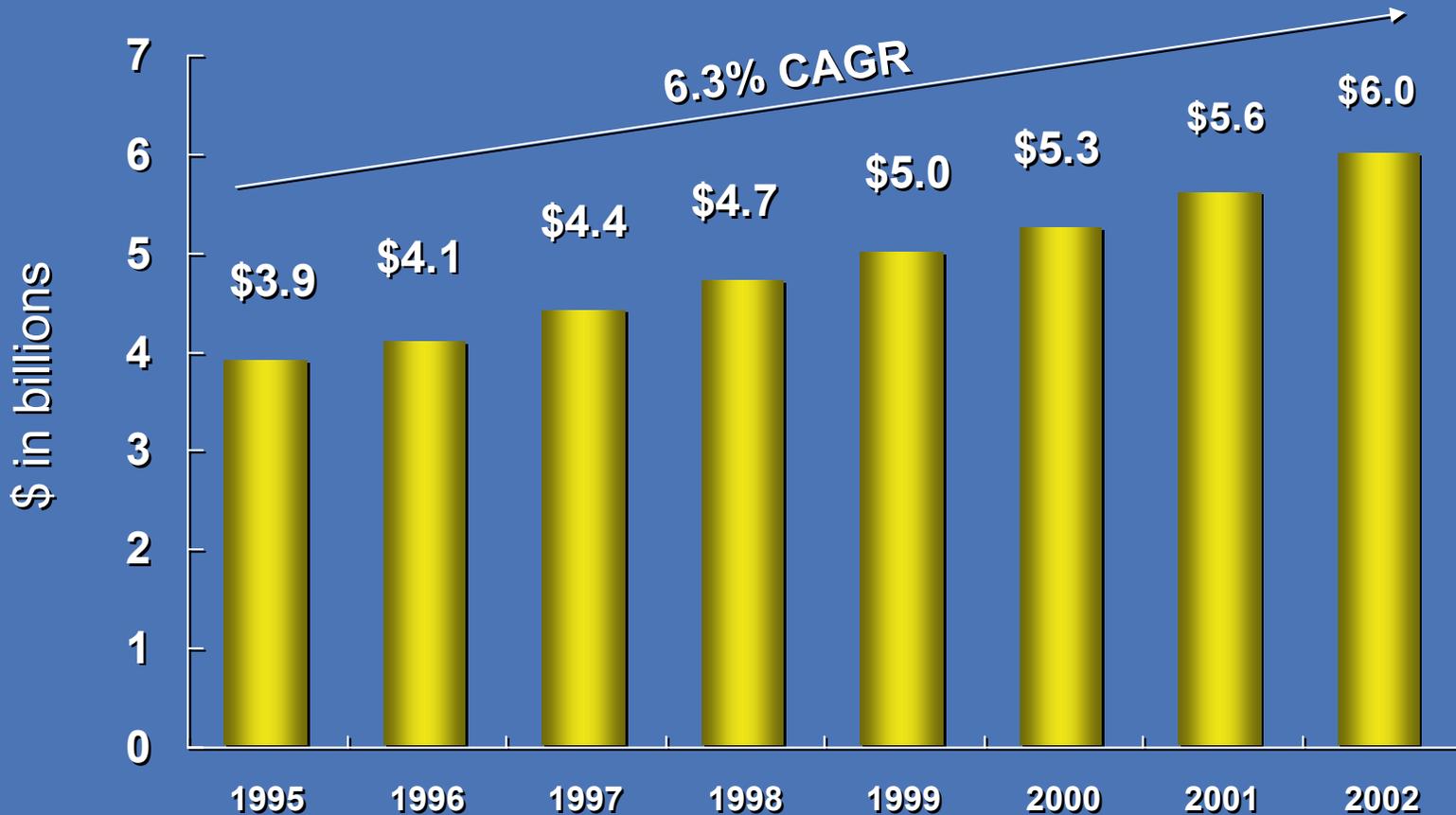
# Rent-to-Own is an Appealing Transaction...



# ...With Attractive Economics ...



# ...Consistent Industry Growth...



Source: APRO 2003 Industry Survey

# Six Levers of Growth

- Open New Stores
- Acquire Existing Rent-to-Own Stores
  - Storefronts
  - Customer Accounts
- Grow Same Store Sales
  - Merchandise Mix
  - Agreements per Customer
  - Customer Growth

# ...In Any Economic Environment

## Late 1990's Economic Boom



## Current Environment



Real GDP Growth (%)  
Unemployment

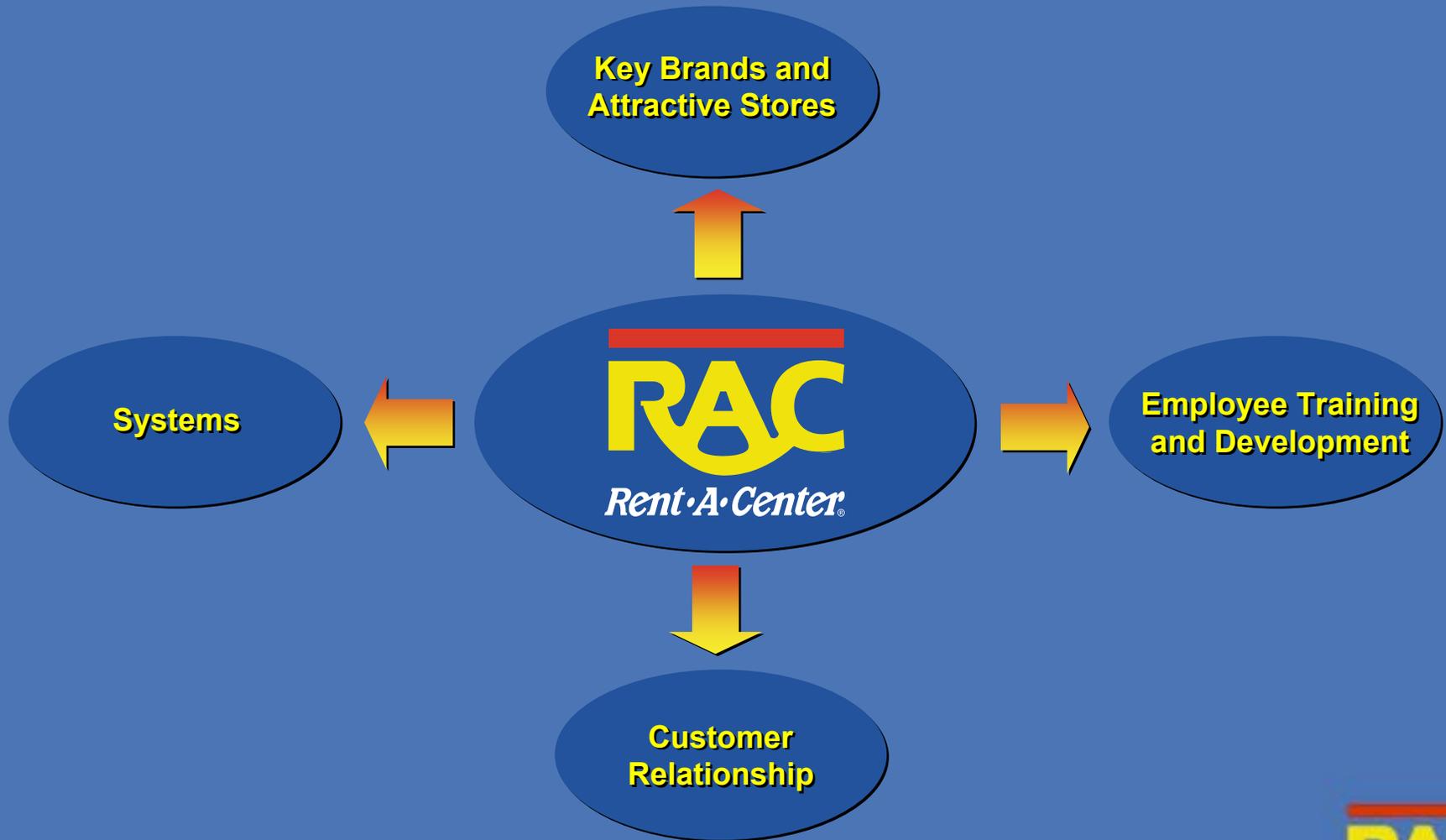
(0.6) A	(1.6) A	(0.3) A	2.7 A	5.0 A	1.3 A	4.0 A	1.4A	1.4F	3.3F	8.2F	4.1F	3.9F	N/A
4.2	4.5	4.8	5.6	5.6	5.9	5.8	5.9	5.8	6.2	6.1	5.9	5.6	5.6

# Serves the “Underbanked Working Family”

- 92% of Customers in the Industry have Household Incomes between \$15,000 and \$50,000<sup>(1)</sup>
- 45 million Households with Household Incomes between \$15,000 and \$50,000<sup>(2)</sup>
- Industry is Serving only 2.9 million of these Households<sup>(3)</sup>
- Great Market Opportunity

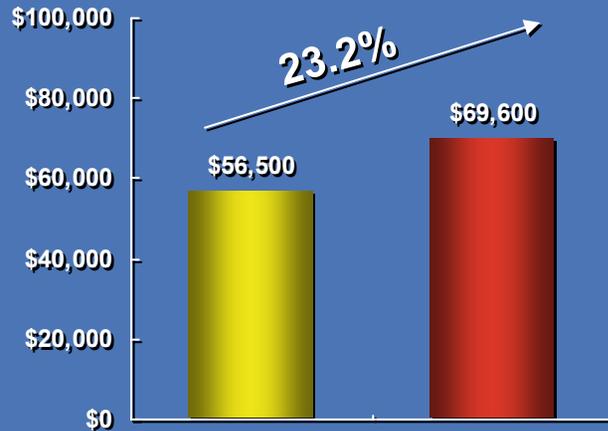
Note: (1) America's Research Group, February 1999  
(2) U.S. Census Bureau - 2001  
(3) APRO 2003 Industry Survey

# Proven Business Model

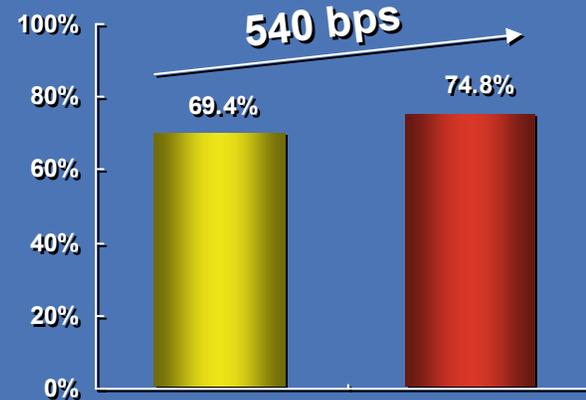


# Rent-A-Center Store Profitability vs. Peers

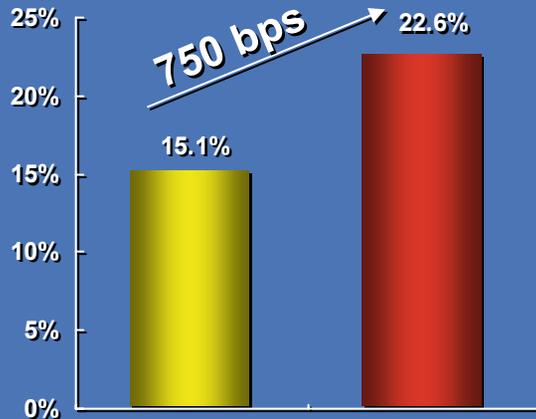
## Monthly Revenue



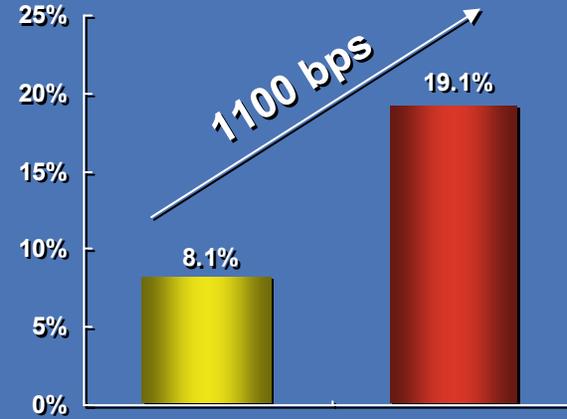
## Gross Profit Margin



## Store Operating Margin



## EBITDA Margin



■ Industry Average <sup>(1)</sup>

■ Average RCI Store <sup>(2)</sup>

Notes: (1) Source: APRO 2003 Industry Survey.

(2) Per LTM data for the period ended June 30, 2004 for Rent-A-Center stores (excludes Rainbow & Rent Rite storefronts, Get It Now, ColorTyme, and Canada)

(3) Store Operating Margin is before overhead allocation, EBITDA Margin is after overhead allocation

# Easily Accessible, Highly Visible Sites



Leased Sites Only

# Spacious Showroom Interior



No Warehouses - Vendors Ship Directly to the Stores

# High Quality, Brand-name Merchandise

**Electronics**  
38% of Rental  
Revenue

**SONY**

**PHILIPS**

**JVC**

**HITACHI**

 **Mitsubishi**

**Furniture**  
36% of Rental  
Revenue

 **ASHLEY**

 **Simmons**

 **England**

**Appliances**  
16% of Rental  
Revenue

 **Whirlpool**

**Computers**  
10% of Rental  
Revenue



**COMPAQ**

**DELL**

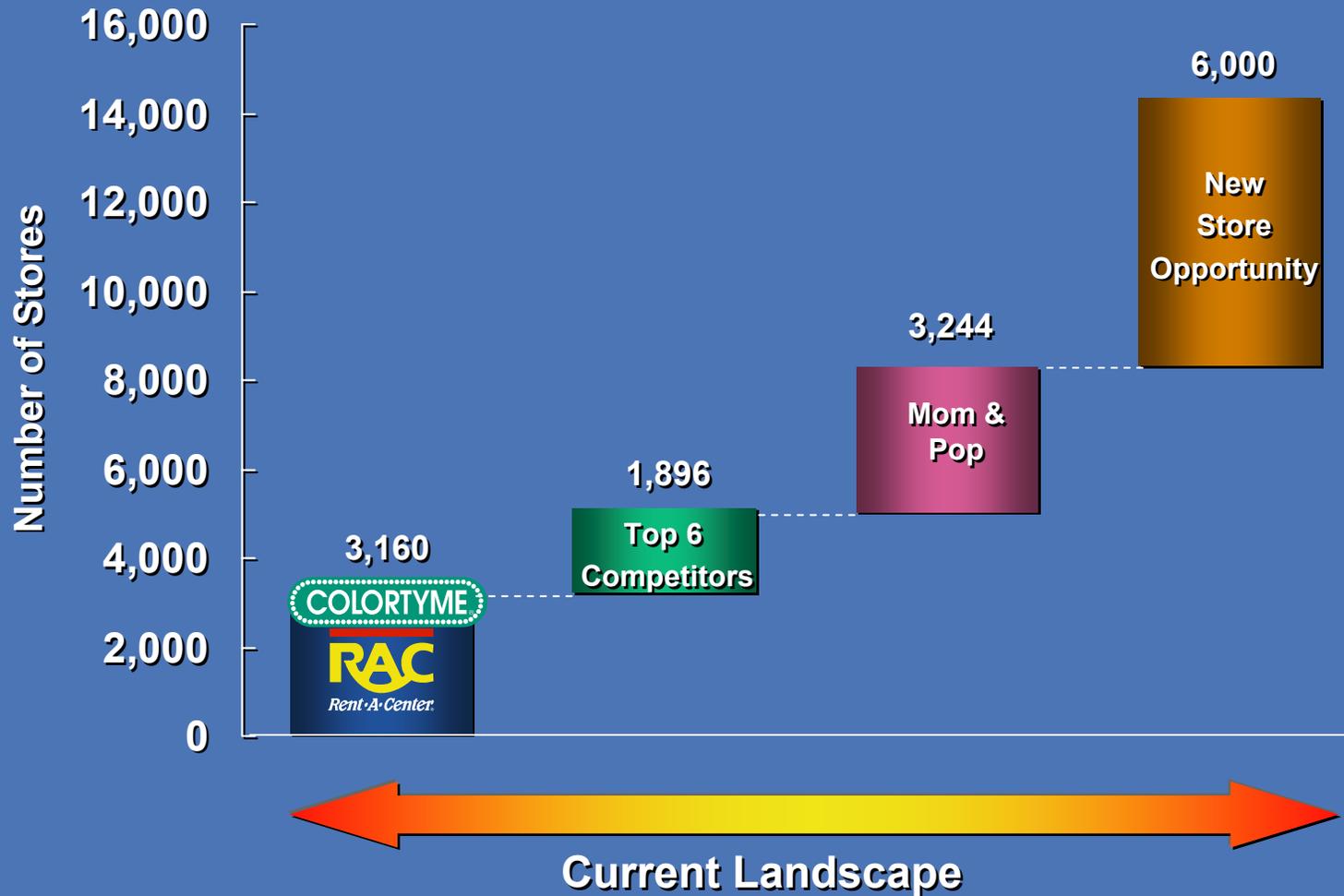
**IBM**



# Strategic Objectives

- Improve Store Level Profitability
- Open New Stores
- Acquire Existing Rent-to-Own Stores
- Grow Same Store Sales
- Enhance National Brand

# 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, terminal value of 6.5 X EBITDA in Year 4

# Enhancing National Brand

**RAC Rent-A-Center**  
RENT TO OWN FURNITURE, APPLIANCES, ELECTRONICS AND COMPUTERS  
\*RENT TO OWN OR BUY WITH FINANCING\* (Subject to credit review)

Whether you're looking for a new sofa or a new TV, Rent-A-Center has what you need. **FREE TIL PAYDAY** Up To Seven Days Free.

**EASY OWNERSHIP**  
12 Month Rent To Own  
FLEXIBLE PAYMENT OPTIONS  
NO CREDIT NEEDED  
SERVICE AND DELIVERY INCLUDED  
RENT SHORT TERM, LONG TERM OR RENT TO OWN  
TRY IT BEFORE YOU BUY IT  
90 DAYS SAME AS CASH

**OWN IT IN 12 MONTHS OR LESS**

Living Room Group  
Laptop Computers  
Personal Computers  
HD Big Screen TVs

**CALL 1-800-877-7758 To Connect To Your Local Store**  
Visit Us At [rentacenter.com](http://rentacenter.com) Para Conectarse Con Su Tienda Local

SONY, Panasonic, BERKLINE, Philips, SAMSUNG, JBL, COMPAQ



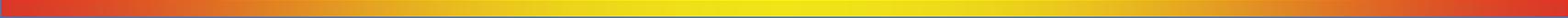
- National and spot media
- Loyalty program
- NASCAR sponsorship with Ford Motor Company and the U.S. Air Force
- Partnerships

# Experienced Management Team

- Senior management team is the most experienced in RTO industry
  - CEO Mark Speese has nearly 25 years RTO experience
  - President Mitch Fadel has over 20 years of RTO experience
  - Senior executives average over 10 years of RTO experience
- Attracting the best personnel with industry-leading salary and incentive plans

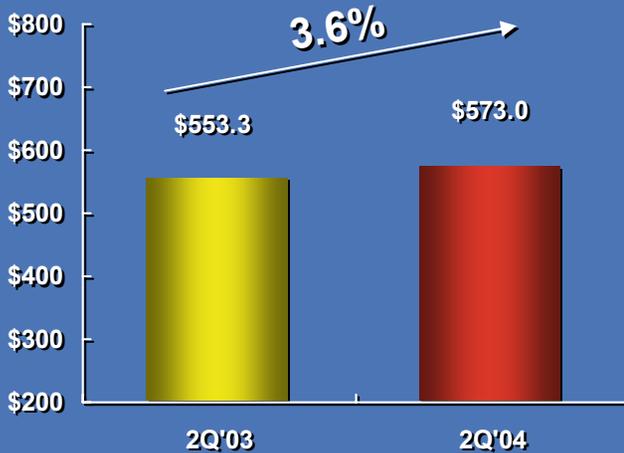


# Financial Overview

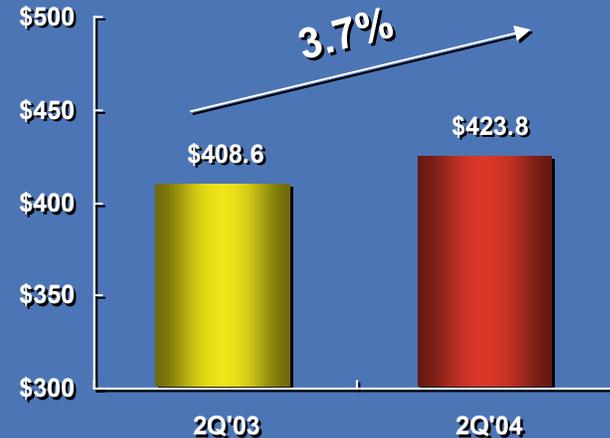


# 2Q'04 Review

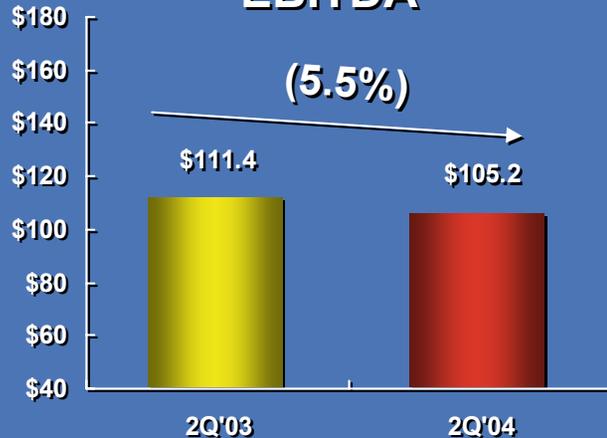
## Revenue



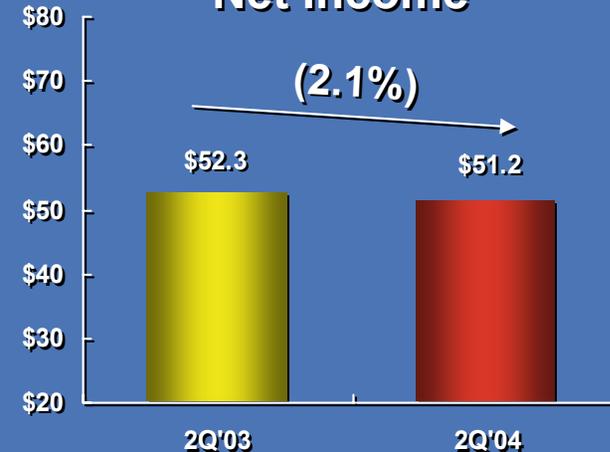
## Gross Profit



## EBITDA



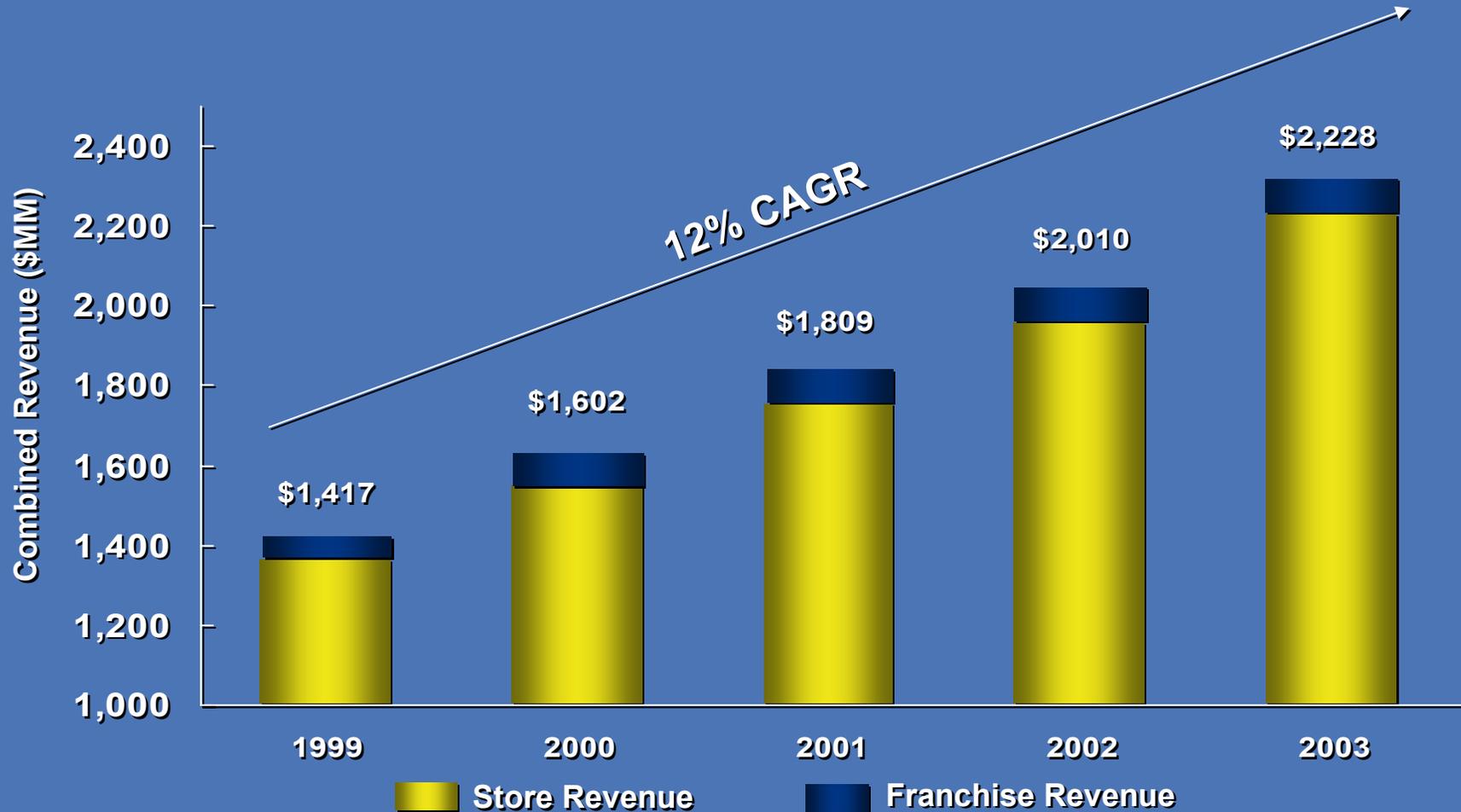
## Net Income



EBITDA Margin	2Q'03	2Q'04
	20.1%	18.4%

Net Income Margin	2Q'03	2Q'04
	9.5%	8.9%

# Strong, Consistent Sales Growth



# Current Capital Structure

<i>(in millions of dollars)</i>	<b>June 30 2003</b>	<b>% of Book Capital</b>	<b>June 30 2004</b>	<b>% of Book Capital</b>
Cash & Equivalents	\$248.3	N/A	\$86.2	N/A
Senior Credit Facilities	400.0	25.0%	396.0	25.4%
Subordinated Notes	384.5	24.1%	300.0	19.3%
Total Debt	784.5	49.1%	696.0	44.7%
Shareholders' Equity	812.9	50.9%	860.2	55.3%
Total Capitalization	\$1,597.4	100.0%	\$1,556.2	100.0%

Consolidated Leverage Ratio 1.49x (2Q'04)

Consolidated Interest Coverage Ratio 9.43x (2Q'04)

# Schedule of Free Cash Flow

## 2004 Estimate

	<u>2004</u>
EBITDA	\$430MM - \$440MM
Net Cash Interest	(\$35MM)
CapEx	(\$55MM)
Net Investment in Rental Merchandise	(\$30MM)
Taxes	(\$110MM)
Free Cash Flow	\$200MM - \$210MM

**Free Cash Flow Yield of Approximately 8%**

# Guidance

<u>QUARTERLY</u>	<u>3Q'03</u>	<u>3Q'04</u>	<u>Growth</u>
Total Revenue	\$549.8MM	\$585.0-\$590.0MM	6-8%
Diluted EPS	\$0.57	\$0.58-\$0.60	2-5%
<u>ANNUAL</u>	<u>2003</u>	<u>2004</u>	<u>Growth</u>
Total Revenue	\$2.23BN	\$2.36-\$2.38BN	6-7%
Diluted EPS	\$2.33*	\$2.62-\$2.70	12-16%

\* Excludes \$35.3MM of one-time finance charges for the recapitalization program

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# Safe Harbor Statement

*This presentation and the guidance above contain forward-looking statements that involve risks and uncertainties. Such forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “could,” “estimate,” “should,” “anticipate,” or “believe,” or the negative thereof or variations thereon or similar terminology. 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: uncertainties regarding the ability to open new stores; the Company’s ability to acquire additional rent-to-own stores on favorable terms; the Company’s ability to enhance the performance of these acquired stores; the Company’s ability to control store level costs; the results of the Company’s litigation; the passage of legislation adversely affecting the rent-to-own industry; interest rates; the Company’s ability to collect on its rental purchase agreements; changes in the Company’s effective tax rate; changes in the Company’s stock price and the number of shares of common stock that the Company may or may not repurchase; the Company’s ability to enhance the performance of the acquired Rainbow and Rent-Rite stores; the ability to realize the cost savings anticipated; and the other risks detailed from time to time in the Company’s SEC filings, including but not limited to, its annual report on Form 10-K/A for the year ended December 31, 2003 and its quarterly report on Form 10-Q for the three month period ended March 31, 2004. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. Except as required by law, the Company is not obligated to publicly release any revisions to these forward-looking statements to reflect the events or circumstances after the date of this press release or to reflect the occurrence of unanticipated events.*