
# INVESTOR PRESENTATION

## FOURTH QUARTER 2015

# Safe Harbor

*This press release 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. The Company believes that the expectations reflected in such forward-looking statements are accurate. However, there can be no assurance that such expectations will occur. The Company's actual future performance could differ materially from such statements. Factors that could cause or contribute to such differences include, but are not limited to: the general strength of the economy and other economic conditions affecting consumer preferences and spending; factors affecting the disposable income available to the Company's current and potential customers; changes in the unemployment rate; difficulties encountered in improving the financial performance of the Core U.S. segment; failure to manage the Company's labor and benefit rates, advertising and marketing expenses, operating leases, charge-offs due to customer stolen merchandise, other store expenses or indirect spending; the Company's ability to develop and successfully execute the competencies and capabilities which are the focus of the Company's strategic initiatives, including those initiatives that are part of its multi-year program designed to transform and modernize the Company's operations; costs associated with the Company's multi-year program designed to transform and modernize the Company's operations; the Company's ability to successfully implement its new store information management system; the Company's ability to successfully market smartphones and related services to its customers; the Company's ability to develop and successfully implement virtual or e-commerce capabilities; the Company's ability to retain the revenue from customer accounts merged into another store location as a result of a store consolidation plan; the Company's ability to execute and the effectiveness of the a consolidation; rapid inflation or deflation in prices of the Company's products; the Company's available cash flow; the Company's ability to identify and successfully market products and services that appeal to its customer demographic; consumer preferences and perceptions of the Company's brand; uncertainties regarding the ability to open new locations; the Company's ability to acquire additional stores or customer accounts on favorable terms; the Company's ability to control costs and increase profitability; the Company's ability to enhance the performance of acquired stores; the Company's ability to retain the revenue associated with acquired customer accounts; the Company's ability to enter into new and collect on its rental or lease purchase agreements; the passage of legislation adversely affecting the rent-to-own industry; the Company's compliance with applicable statutes or regulations governing its transactions; changes in interest rates; adverse changes in the economic conditions of the industries, countries or markets that the Company serves; information technology and data security costs; the Company's ability to protect the integrity and security of individually identifiable data of its customers and employees; the impact of any breaches in data security or other disturbances to the Company's information technology and other networks; changes in the Company's stock price, the number of shares of common stock that it may or may not repurchase, and future dividends, if any; changes in estimates relating to self-insurance liabilities and income tax and litigation reserves; changes in the Company's effective tax rate; fluctuations in foreign currency exchange rates; the Company's ability to maintain an effective system of internal controls; the resolution of the Company's litigation; and the other risks detailed from time to time in the Company's SEC reports, including but not limited to, its annual report on Form 10-K for the year ended December 31, 2014. 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.*

# Rent-A-Center will continue to return value to shareholders in a number of ways

**Core U.S.**

- Optimize profitability in maturing business
- Strategic initiatives such as Flexible Labor and Supply Chain

**Acceptance Now**

- Maximize revenue growth and profit opportunity
- Expand beyond staffed model by expanding sales channels

**Capital Allocation**

- Disciplined capital allocation
- Balanced approach including debt reduction and dividends
- Target leverage ratio of 2.5x debt to EBITDA

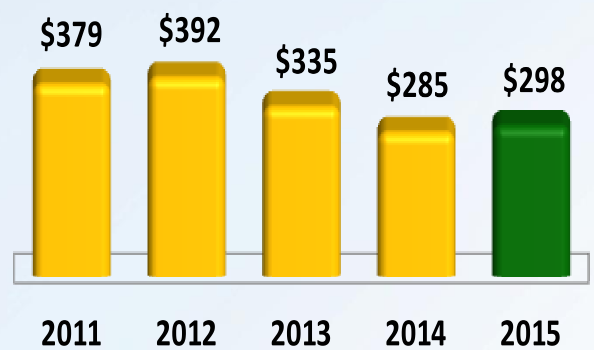
# Rent-A-Center snapshot

## Rent-A-Center overview

- **Rent-A-Center (NASDAQ: RCII) is one of the <u>Largest</u> rent-to-own ("RTO") operators in the U.S.**
  - 5,018 locations across the US, Mexico, Canada and Puerto Rico
    - 2,672 Core U.S. locations
    - 1,976 Kiosks at retailers
    - 143 Mexico locations
    - 227 Franchised stores
- Offers high quality, durable products
  - Flexible rental purchase agreements
  - Allows customers to obtain ownership at the conclusion of an agreed upon rental term

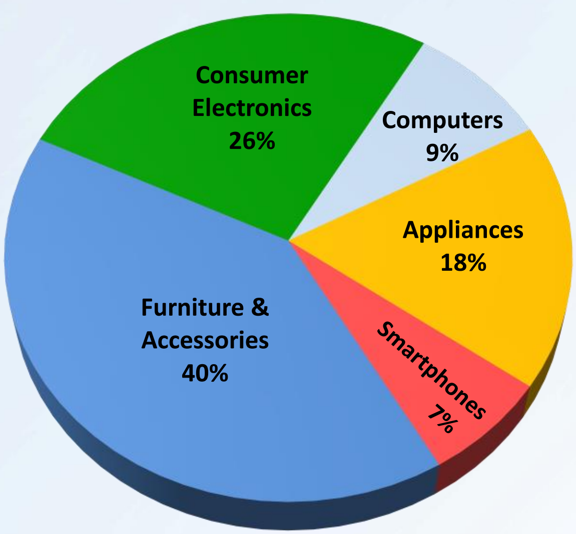
## Revenue ($mm)


## EBITDA ($mm)




## Product mix (LTM) (1)(2)

December 31, 2015




## Key vendor relationships

SONY
ASHLEY FURNITURE INDUSTRIES, INC.
Whirlpool HOME APPLIANCES
LG Life's Good
DELL
SAMSUNG
VIZIO

1) Includes Core U.S. and Acceptance Now stores only
2) Percentages based on Total Rental Income

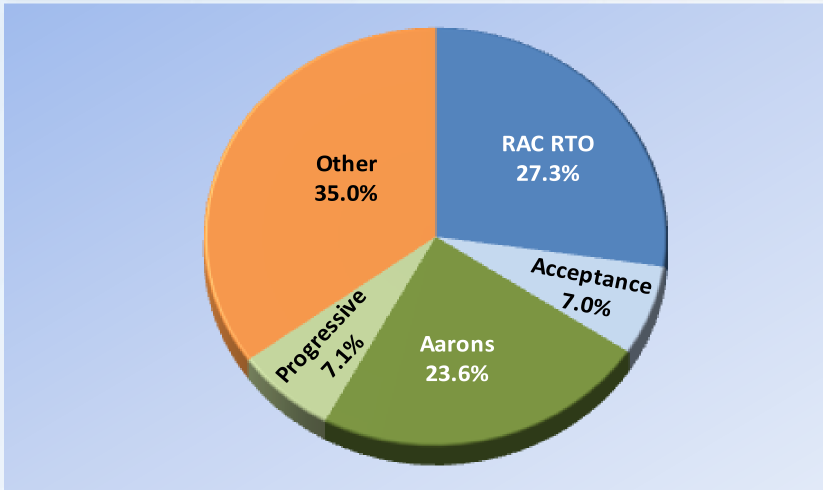
# RTO industry offers attractive fundamentals and Rent-A-Center is one of the largest operators

## Key industry facts

- ~$9.0 billion industry
- 18,000+ stores across the United States, Mexico and Canada
- Serves an estimated 4.8 million households
- Revenue increased by a 5.6% CAGR from 2007-2014
- National industry with established, constructive regulatory environment

## RTO industry revenue (billions) (1)


## 2014 Total Revenue (Estimated) (2)



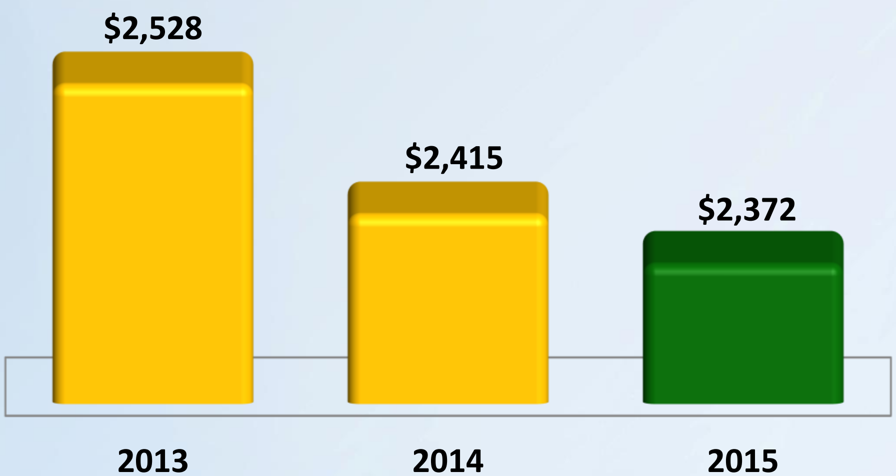

(1) APRO (Association of Progressive Rental Organizations) as October 2013; Industry numbers were not updated in 2011 or 2013
(2) RAC internal estimation

# Core U.S. overview

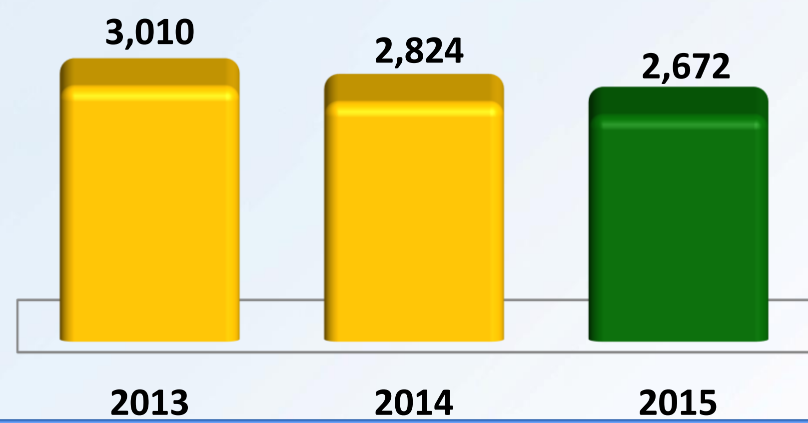
**Domestic company-owned RTO operations:**

- Offering high-quality products to consumers under flexible rental-purchase agreements
- Largest segment with 72% of 2015 revenues

## Revenue ($mm)




## Locations




## Brands

RAC Rent-A-Center

Get It Now!

home choice

# Core U.S. Strategic Initiatives

## Flexible Labor Model

- Replacing fixed overtime hours with part-time hours
- $20-$25mm of annual labor savings opportunity related to overtime premium
- Ability to flex hours up or down based on store activity levels

## Supply Chain

- Product cost savings from a more efficient supply chain using 3rd party logistics provider; Improve in-stock rates by reducing shipping lead times from 17 days to 4-5 days
- Initiative remains on track to fully realize $25-35mm of annual run-rate income statement benefits by the end of 2016

## Pricing

- Continue to optimize pricing strategies and take opportunistic actions based on test results

# Acceptance NOW overview

Acceptance NOW

## Description

- Kiosks inside traditional retailers
  - Customers turned down for credit are referred to Acceptance NOW
  - Retailers “save the sale” (~50% conversion rate)
  - Developed Acceptance NOW Direct technology for lower volume locations
- Low initial investment since inventory is not purchased until the sale is made
- Growing customer base with Same Store Sales (Q4’15) at 13.7%
- Focus on profitable growth in 2016

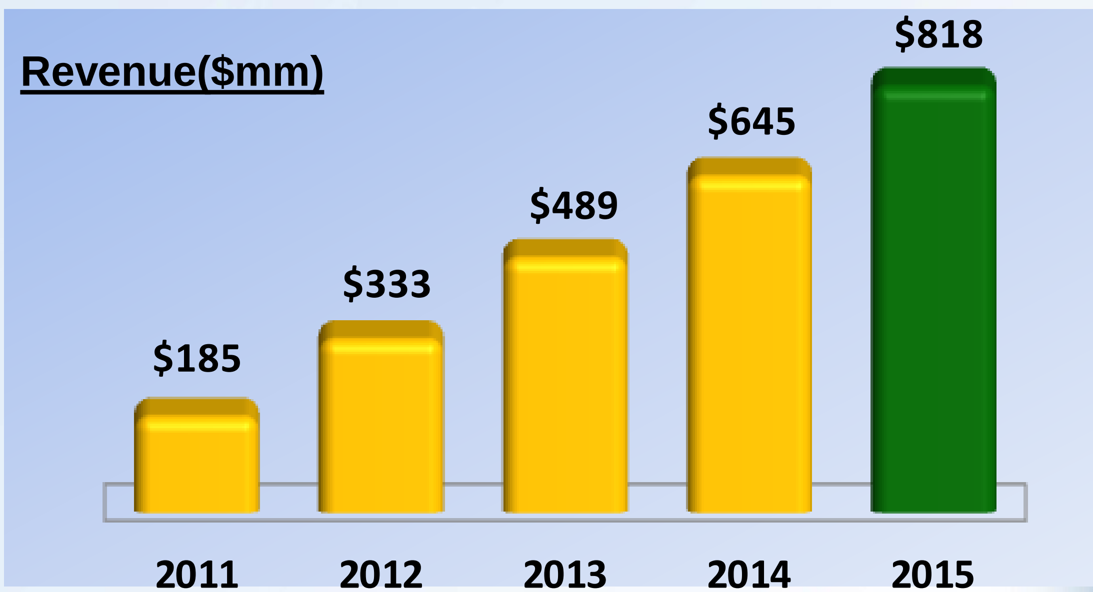
## Capturing a new customer base

| Credit scores: | < 520 | 521–580 | > 581 |
|---|---|---|---|
| RAC Rent-A-Center | 50% | 27% | 23% |
| Acceptance NOW | 41% | 29% | 30% |

(1) Random sample of 1,000 RTO & 1,000 Acceptance NOW customer’s credit scores provided by TransUnion

**Status**

- As of Q4 ‘15, 1,444 Acceptance NOW staffed and 532 Acceptance NOW direct locations open
- 30 staffed locations opened and 29 closed in Q4’15
- 286 direct locations opened in Q4’15; two were closed in Q4 ‘15
- 25 staffed locations converted to direct locations




**Despite growth to date, tremendous untapped market potential for Acceptance NOW**

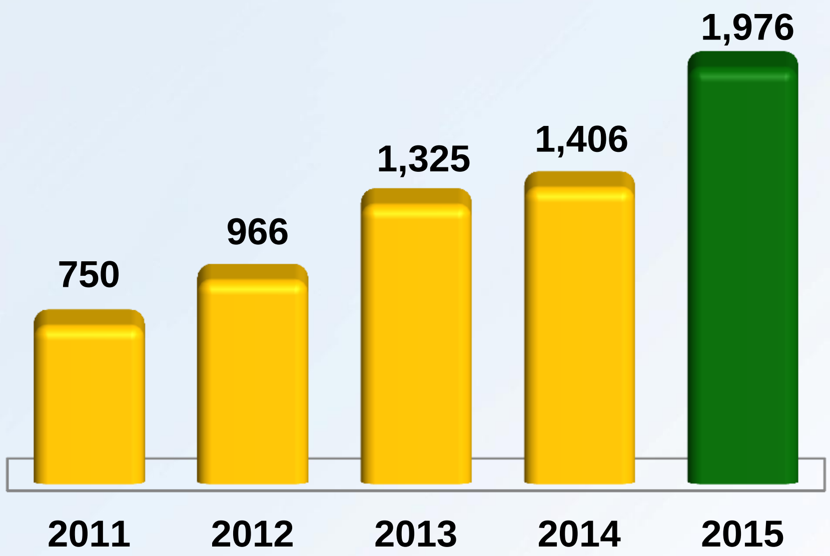
# Acceptance NOW

**RTO kiosks inside traditional retail stores:**

- Alternative transaction for customers of retail partners who cannot buy on credit
- Rapidly growing segment with 25% of 2015 revenues
- Focus on maximizing revenue growth and profit opportunity

## Revenue ($mm)


## Locations




## Strategic Initiatives

- Established a dedicated commercial sales organization to grow Acceptance Now's national footprint while continuing to deliver industry leading service
- Working on improving the profitability of 90 day cash option transactions
- Doubled the penetration of online approval via retailer websites as well as the technology to support the seamless application process. Each of these technologies are available in about a third of our staffed locations

# Mexico and Franchise Segment overview

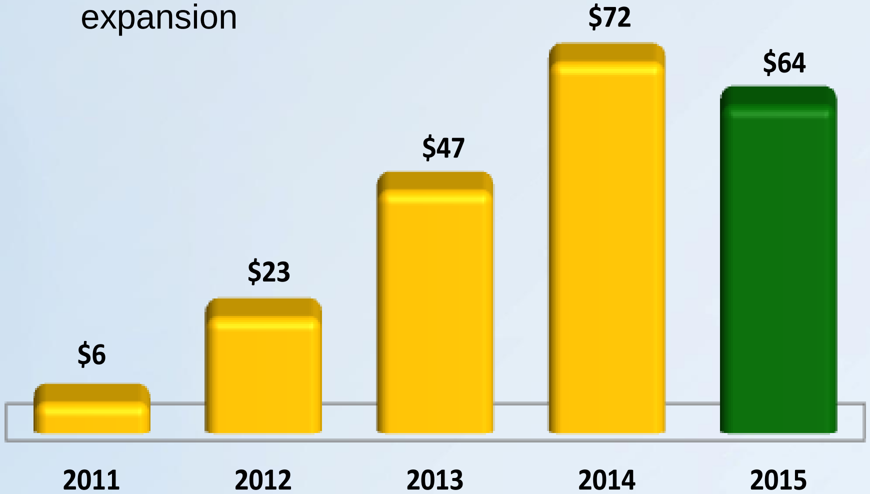
## Mexico

Segment Overview

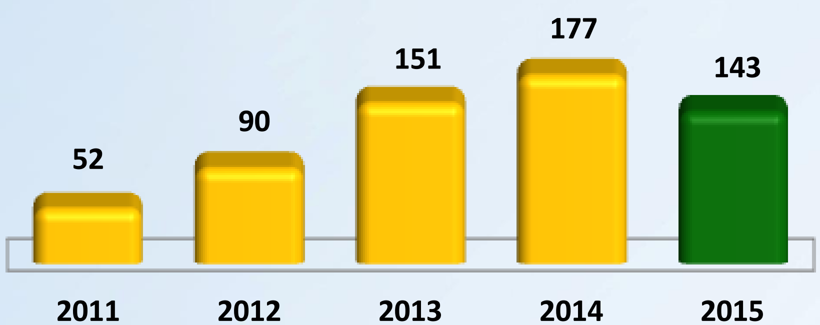
**Mexico company-owned RTO operations:**

- Segment with 2% of 2015 revenues
- FY ‘16 EBITDA goal of breakeven and exiting underperforming markets
- Potential platform for future international expansion

Revenue ($mm)




Locations



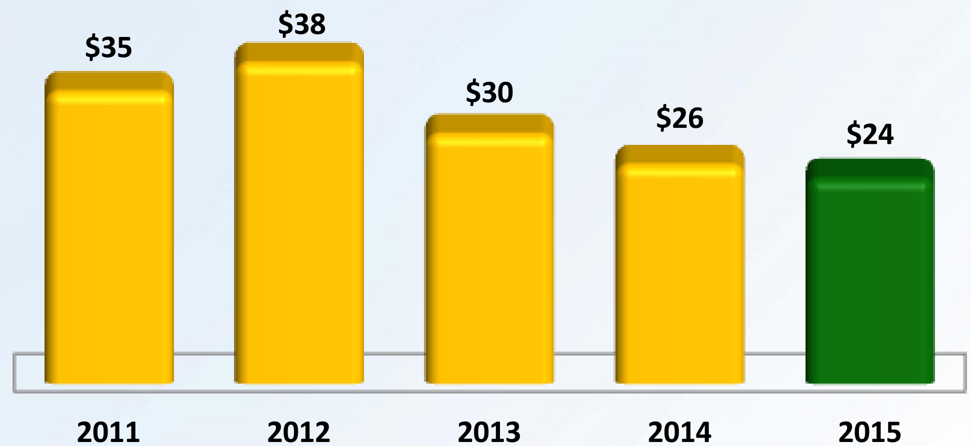

Brands

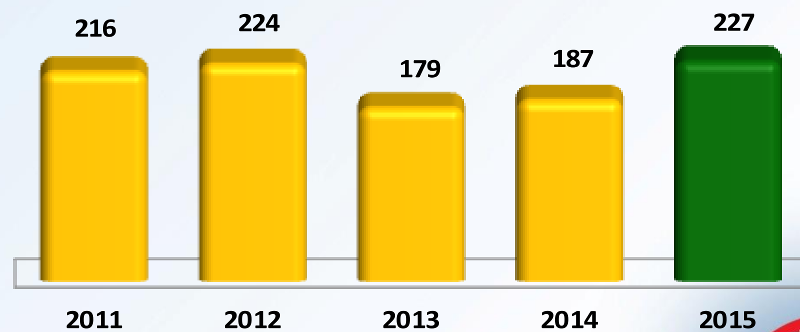
La mejor forma de comprar

## Franchising

**Franchisor of RTO stores:**

- Sells merchandise to franchisors who in turn rent it out to public
- Earn royalties of approx. 2-6% of revenues
- Segment with 1% of 2015 revenues




Franchising International, Inc.

COLORTYME

RIMTYME CUSTOM WHEELS AND TIRES

# Financial Highlights

# Q4 2015 Rent-A-Center operating results

## Financial Metrics (Non-GAAP)

| ($ in mm) | Q4'15 | Q4'14 | △ YoY |
|---|---|---|---|
| Core US | $574 | $601 | *(4.5%)* |
| Acceptance NOW | $197 | $170 | *16.0%* |
| Mexico | $15 | $20 | *(23.3%)* |
| Franchising | $8 | $7 | *11.7%* |
| **Total Revenue** | **$794** | **$797** | ***(0.4%)*** |
| **Same Store Sales** | **1.7%** | **4.7%** | ***(300 bps)*** |
| Core US | $408 | $433 | *(5.7%)* |
| Acceptance NOW | $106 | $98 | *8.0%* |
| Mexico | $10 | $13 | *(26.3%)* |
| Franchising | $3 | $2 | *42.3%* |
| **Total Gross Profit** | **$526** | **$546** | ***(3.6%)*** |
| ***Gross Profit Margin*** | ***66.3%*** | ***68.5%*** | ***(220 bps)*** |
| Core US | $63 | $70 | *(10.2%)* |
| Acceptance NOW | $29 | $27 | *7.6%* |
| Mexico | ($1) | ($5) | *74.5%* |
| Franchising | $2 | $1 | *62.1%* |
| Corporate | ($39) | ($42) | *8.6%* |
| **Operating Profit** | **$53** | **$51** | ***5.6%*** |
| ***Operating Profit Margin*** | ***6.7%*** | ***6.4%*** | ***+ 40 bps*** |
| **EBITDA** | **$74** | **$73** | ***0.9%*** |
| ***EBITDA Margin*** | ***9.3%*** | ***9.2%*** | ***+ 0 bps*** |
| **CapEx** | **$20** | **$22** | ***(10.5%)*** |

(1) Includes restated financials

## Key Results

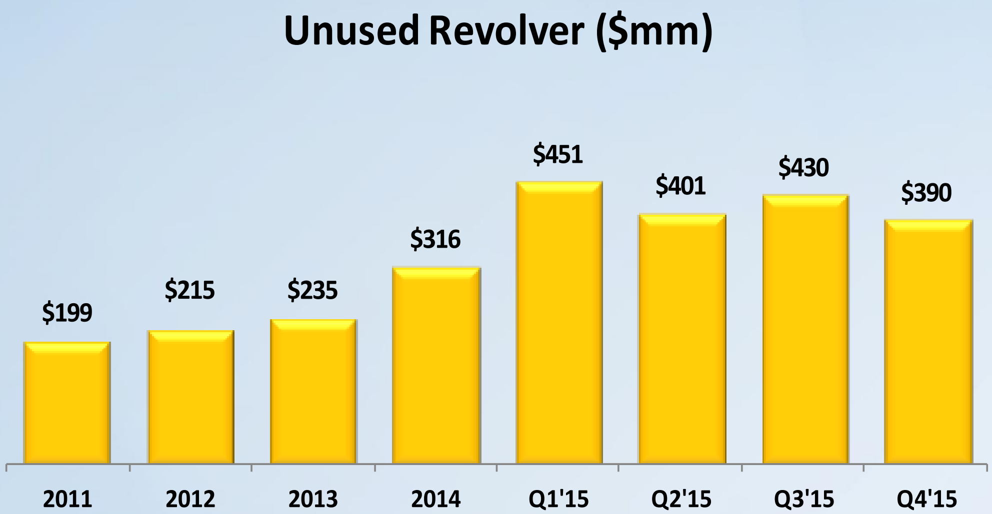
- Total revenues decreased ~$3mm, or (0.4%)
  - Revenue decrease in Core U.S. offset by the Acceptance NOW segment, which grew by 16%
- Core U.S. same store sales decreased by 2.2% as the company has fully lapped the introduction of the smartphone category
- Gross profit margins decreased 220 bps, and gross profit dollars decreased ~$20mm, or 3.6%
  - Gross margin decline primarily driven by growth of our 90 day option pricing in Acceptance NOW
- Operating profit increased ~$2mm, or 5.6%

# Rent-A-Center balance sheet

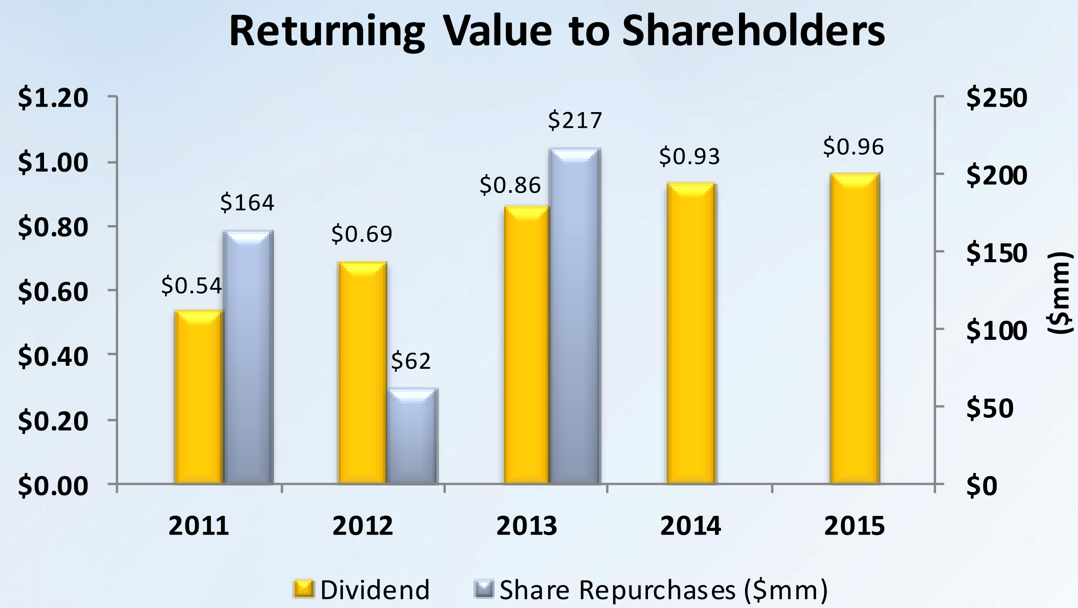
| ($mm) | Q4'15 | % of Book Capital | Q4'14 | % of Book Capital |
|---|---|---|---|---|
| **Cash** | $60 | | $46 | |
| **Senior Credit Facilities** | $411 | 28.5% | $478 | 19.7% |
| **Unsecured Revolver** | $15 | 1.0% | $15 | 0.6% |
| **Senior Unsecured Notes** | $543 | 37.7% | $550 | 22.6% |
| **Total Debt** | $968 | 67.3% | $1,043 | 42.9% |
| **Shareholder's Equity** | $470 | 32.7% | $1,389 (1) | 57.1% |
| **Total Capitalization** | $1,439 | 100.0% | $2,432 | 100.0% |
| **Net Debt/Total Capitalization** | | 63.1% | | 41.0% |

Notes:
(1) Includes restated financials

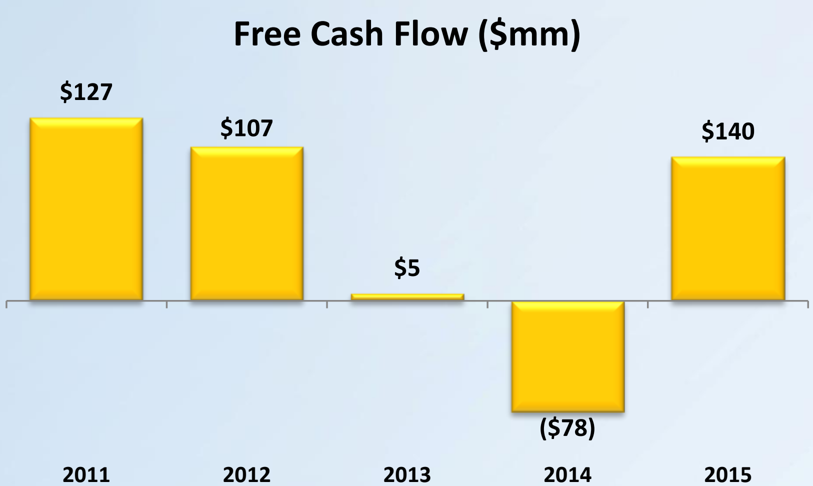
# Rent-A-Center Leverage



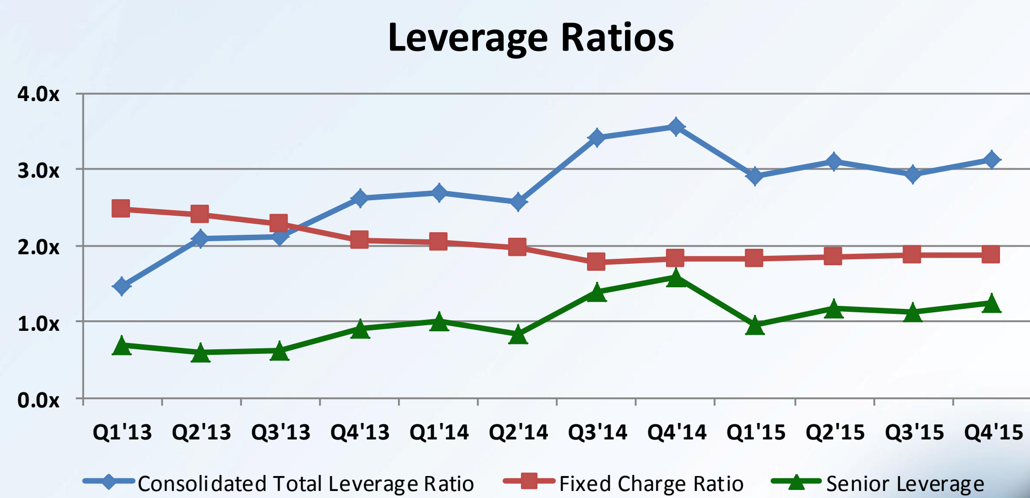

❖ Strong liquidity position




❖ 2016 dividend reduced to $0.08 per quarter




❖ ‘14 FCF impacted by tax deferral reversal




❖ Ratios below covenants

# Rent-A-Center will continue to return value to shareholders in a number of ways

**Core U.S.**

- Optimize profitability in maturing business
- Strategic initiatives such as Flexible Labor and Supply Chain

**Acceptance Now**

- Maximize revenue growth and profit opportunity
- Expand beyond staffed model by expanding sales channels

**Capital Allocation**

- Disciplined capital allocation
- Balanced approach including debt reduction and dividends
- Target leverage ratio of 2.5x debt to EBITDA