



## Rent-A-Center, Inc. Reports Fourth Quarter 2017 Results

February 20, 2018

PLANO, Texas--(BUSINESS WIRE)--Feb. 20, 2018-- Rent-A-Center, Inc. (the "Company") (NASDAQ/NGS: RCII) today announced results for the quarter ended December 31, 2017.

"I am excited to be back at Rent-A-Center to lead the organization through these challenging times and believe my experience spanning over 30 years in the business will be invaluable. I fully understand the headwinds the Company is facing and will aggressively pursue a path that brings the Company back to health. The fourth quarter performance was more challenging than the Company expected and demonstrated the need for change," stated Mitch Fadel, Chief Executive Officer of Rent-A-Center.

"In order to improve company performance, we are focusing our attention on reducing costs and improving cash flow. We also intend to improve traffic trends through a more targeted value proposition and customer centric approach. In addition, we have also initiated efforts to more aggressively expand our franchising operations in order to enhance our brand in a more capital-efficient way."

Mr. Fadel continued, "In December, the Board of Directors engaged AlixPartners, a well-known business consulting firm, to assist the Company in identifying financial cost-savings and efficiencies. We are pleased to report the Company has identified approximately \$100 million of annualized EBITDA and working capital opportunities. Additionally, the new tax reform, passed in December of 2017, is expected to generate a material benefit to cash taxes of approximately \$200 million over the next three years, which the Company expects to utilize to improve our capital position by paying down debt. These cost reductions and working capital opportunities will be pursued alongside our Board of Directors ongoing review and evaluation of strategic and financial alternatives in an effort to maximize stockholder value."

### **Strategic Plan**

The Company's strategic plan will now focus on several improvement areas including a significant cost savings plan, a more targeted value proposition, and a refranchising program. The Company will track performance against these areas to monitor progress on a quarterly basis.

- The Company is targeting significant cost savings opportunities across the business in the areas of overhead, supply chain and other store expenses.
- The updated value proposition in the Core is intended to improve traffic trends with a balanced approach of competitively pricing elastic categories while capturing more margin in inelastic categories.
- Within Acceptance NOW, the value proposition will center around improved return on investment through a shorter payback period and higher ownership levels.
- Refranchising brick and mortar locations will enable the Company to maintain and grow its presence while using proceeds to pay down debt.

### **Consolidated Overview**

Explanations of performance are excluding special items and compared to the prior year unless otherwise noted.

On a Consolidated basis, total revenues of \$639.0 million declined by 6.6 percent primarily due to closures of certain of the Company's Acceptance NOW locations, a same store sales decline of 2.0 percent and the 2017 hurricane activity. Net profit and diluted earnings per share, on a GAAP basis, were \$34.8 million and \$0.65 compared to net loss and diluted loss per share of \$146.4 million and \$2.76 in the fourth quarter of last year.

GAAP earnings benefited by \$1.45 per share related to the Tax Cuts and Jobs Act (the "Tax Act") passed in December of 2017, which resulted in the revaluation of net deferred tax liabilities to a 21 percent federal tax rate.

Excluding special items, the Company's diluted loss per share was \$0.41 and the Company generated negative \$8.5 million in adjusted EBITDA in the fourth quarter. Adjusted EBITDA as a percent of revenue decreased 390 basis points versus the third quarter.

For the twelve months ended December 31, 2017, the Company generated \$110.5 million of cash from operations, ended the fourth quarter with \$73.0 million of cash and cash equivalents, and reduced its outstanding debt balance by \$52.5 million.

### **Segment Operating Performance**

CORE U.S. fourth quarter revenues of \$444.7 million decreased 6.0 percent primarily due to a same store sales decline of 3.6 percent, the impact from the 2017 hurricanes and the rationalization of the Core U.S. store base. In addition, same store sales was negatively impacted by higher promotional free time activity in the quarter. Gross profit as a percent of total revenue versus prior year increased 10 basis points. Labor decreased \$4.2 million versus prior year driven primarily by lower store count. Other store expenses decreased \$2.7 million driven by lower skip/stolen losses and lower store count.

ACCEPTANCE NOW fourth quarter revenues of \$175.8 million decreased 9.1 percent primarily due to closures of the Company's Conn's and HHGregg locations as well as the impact from the 2017 hurricanes, which was partially offset by a same store sales increase of 6.7 percent. Gross profit as a percent of total revenue versus prior year decreased 220 basis points primarily due to lower gross profit on merchandise sales resulting from a focused effort to encourage ownership and reduce returned product. Labor, as a percent of store revenue, improved 200 basis points versus

prior year due to efforts to improve store level profitability through conversions of staffed locations to direct locations. Other store expenses, as a percent of store revenue, increased by 740 basis points primarily driven by a one-time, non-cash, charge to write off unreconciled invoices and higher skip/stolen losses.

MEXICO fourth quarter revenues decreased 2.4 percent on a constant currency basis driven by a same store sales decline of 2.3 percent. Gross profit as a percent of total revenue versus prior year decreased 270 basis points driven by lower rental sales gross margin and merchandise sales gross margin.

FRANCHISING fourth quarter revenues were \$6.7 million and operating profit was \$1.5 million.

CORPORATE operating expenses decreased \$6.6 million compared to the prior year primarily driven by lower executive and incentive compensation.

### SAME STORE SALES (Unaudited)

Table 1

| Period  | Core U.S. | Acceptance Now | Mexico | Total  |
|---|-----------|----------------|--------|--------|
| Three Months Ended December 31, 2017 <sup>(1)</sup> | (3.6)%    | 6.7%           | (2.3)% | (2.0)% |
| Three Months Ended September 30, 2017               | (5.1)%    | 7.9%           | (6.2)% | (3.1)% |
| Three Months Ended December 31, 2016                | (13.9)%   | 1.7%           | (1.4)% | (9.3)% |

Note: Same store sale methodology - Same store sales generally represents revenue earned in stores that were operated by us for 13 months or more and are reported on a constant currency basis. The Company excludes from the same store sales base any store that receives a certain level of customer accounts from closed stores or acquisitions. The receiving store will be eligible for inclusion in the same store sales base in the 24<sup>th</sup> full month following account transfer.

<sup>(1)</sup> Given the severity of the recent natural disasters, the Company instituted a change to the same store sales store selection starting in the month of September, excluding geographically impacted regions for 18 months.

#### **2018 Selected Guidance**

As the Company remains in the midst of a strategic and financial alternatives review process, the following selected guidance is being provided at this time:

- The Board of Directors recently engaged AlixPartners to assist in identifying financial cost-savings and efficiencies. The Company has identified annualized cost savings opportunities of \$65 to \$85 million, approximately two thirds of which is expected to be realized in 2018.
  - Overhead of \$30 to \$40 million
  - Supply Chain of \$25 to \$30 million
  - Other Store Expenses of \$10 to \$15 million
- Working Capital benefits of \$20 to \$25 million, 100 percent of which is expected to be realized in 2018
- Free Cash Flow of at least \$130 million

#### **Guidance Policy**

The Company provides selected guidance and will only provide updates if there is a material change versus the original guidance.

#### **Non-GAAP Reconciliation**

To supplement the Company's financial results presented on a GAAP basis, Rent-A-Center uses the non-GAAP measures ("special items") indicated in Table 2 below, which primarily excludes charges in the fourth quarter of 2017 related to capitalized software write-downs, hurricane damage, closure of Acceptance Now locations, incremental legal and advisory fees, legal settlements, and charges related to previous store closure plans. Gains or charges related to store closures will generally recur with the occurrence of these events in the future. The presentation of these financial measures is not in accordance with, or an alternative for, accounting principles generally accepted in the United States and should be read in conjunction with the Company's consolidated financial statements prepared in accordance with GAAP. Rent-A-Center management believes that excluding special items from the GAAP financial results provides investors a clearer perspective of the Company's ongoing operating performance and a more relevant comparison to prior period results. This press release also refers to the non-GAAP measures EBITDA (earnings before interest, taxes, depreciation and amortization) and Free Cash Flow (EBITDA less cash taxes, interest, capital expenditures, plus stock-based compensation expense and plus (less) the net decrease (increase) in net working capital) when addressing guidance for future periods. The Company has not quantitatively reconciled differences between EBITDA or Free Cash Flow and their corresponding GAAP measures for such future periods due to the inherent uncertainty regarding variables affecting the comparison of these measures.

Reconciliation of net earnings (loss) to net (loss) earnings excluding special items:

| Table 2 | Three Months Ended December 31,<br>2017 | 2016 | Twelve Months Ended December 31,<br>2017 | 2016 |
|---------|---|------|--|------|
|---------|---|------|--|------|

| <i>(in thousands, except per share data)</i> | <u>Amount</u>     | <u>Per Share</u> | <u>Amount</u>      | <u>Per Share</u> | <u>Amount</u>     | <u>Per Share</u> | <u>Amount</u>    | <u>Per Share</u> |
|--|-------------------|------------------|--------------------|------------------|-------------------|------------------|------------------|------------------|
| Net earnings (loss)                          | \$ 34,824         | \$ 0.65          | \$(146,383)        | \$ (2.76)        | \$ 6,653          | \$ 0.12          | \$(105,195)      | \$ (1.98)        |
| Special items, net of taxes:                 |                   |                  |                    |                  |                   |                  |                  |                  |
| Goodwill impairment charge                   | —                 | —                | 128,633            | 2.43             | —                 | —                | 128,633          | 2.43             |
| Other charges (gains) <sup>(1)</sup>         | 17,009            | 0.32             | (1,676)            | (0.03)           | 37,256            | 0.70             | 12,483           | 0.23             |
| Debt refinancing charges                     | —                 | —                | —                  | —                | 1,239             | 0.02             | —                | —                |
| Tax Cut and Jobs Act gain                    | (77,505)          | (1.45)           | —                  | —                | (77,505)          | (1.45)           | —                | —                |
| Discrete income tax items                    | 3,566             | 0.07             | 7,063              | 0.13             | 3,642             | 0.07             | 5,027            | 0.09             |
| Net (loss) earnings excluding special items  | <u>\$(22,106)</u> | <u>\$ (0.41)</u> | <u>\$ (12,363)</u> | <u>\$ (0.23)</u> | <u>\$(28,715)</u> | <u>\$ (0.54)</u> | <u>\$ 40,948</u> | <u>\$ 0.77</u>   |

(1) Other charges for the three months ended December 31, 2017 primarily includes charges, net of tax, related to capitalized software write-downs, hurricane damage, closure of Acceptance Now locations, incremental legal and advisory fees, legal settlements, and charges related to previous store closure plans. Other gains for the three months ended December 31, 2016 primarily includes a litigation claims settlement, net of tax, partially offset by restructuring charges. Charges related to store closures are primarily comprised of losses on rental merchandise, lease obligation costs, employee severance, asset disposals, and miscellaneous costs incurred as a result of the closure.

### **Webcast Information**

Rent-A-Center, Inc. will host a conference call to discuss the fourth quarter results, guidance and other operational matters on Wednesday morning, February 21, 2018, at 8:30 a.m. ET. For a live webcast of the call, visit <http://investor.rentacenter.com>. Certain financial and other statistical information that will be discussed during the conference call will also be provided on the same website. Residents of the United States and Canada can listen to the call by dialing (800) 399-0012. International participants can access the call by dialing (404) 665-9632.

### **About Rent-A-Center, Inc.**

A rent-to-own industry leader, Plano, Texas-based, Rent-A-Center, Inc., is focused on improving the quality of life for its customers by providing them the opportunity to obtain ownership of high-quality, durable products such as consumer electronics, appliances, computers, furniture and accessories, under flexible rental purchase agreements with no long-term obligation. The Company owns and operates approximately 2,500 stores in the United States, Mexico, Canada and Puerto Rico, and approximately 1,300 Acceptance Now kiosk locations in the United States and Puerto Rico. Rent-A-Center Franchising International, Inc., a wholly owned subsidiary of the Company, is a national franchiser of approximately 230 rent-to-own stores operating under the trade names of "Rent-A-Center", "ColorTyme", and "RimTyme". For additional information about the Company, please visit our website at [www.rentacenter.com](http://www.rentacenter.com).

### **Forward Looking Statements**

*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," "believe," or "confident," 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; uncertainties concerning the outcome, impact, effects and results of the Company's exploration of its strategic and financial alternatives; difficulties encountered in improving the financial and operational performance of the Company's business segments; the Company's ability to realize any benefits from its initiatives regarding cost-savings and other EBITDA enhancements, efficiencies and working capital improvements; the Company's chief executive officer transition, including the Company's ability to effectively operate and execute its strategies during the interim period; the Company's ability to execute its franchise strategy; failure to manage the Company's store labor and other store expenses; the Company's ability to develop and successfully execute strategic initiatives; disruptions caused by the operation of the Company's store information management system, and its transition to more-readily scalable, "cloud-based" solutions; the Company's ability to develop and successfully implement digital or E-commerce capabilities, including mobile applications; disruptions in the Company's supply chain; limitations of, or disruptions in, the Company's distribution network; rapid inflation or deflation in the prices of the Company's products; the Company's ability to execute and the effectiveness of a store consolidation, including the Company's ability to retain the revenue from customer accounts merged into another store location as a result of a store consolidation; 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 retain the revenue associated with acquired customer accounts and enhance the performance of acquired stores; 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 impact of any breaches in data security or other disturbances to the Company's information technology and other networks and the Company's ability to protect the integrity and security of individually identifiable data of its customers and employees; changes in the Company's stock price, the number of shares of common stock that it may or may not repurchase, and the Company's dividend policy and any changes thereto, 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, 2016, and its Quarterly Reports on Form 10-Q for the quarters ended March 31, 2017, June 30, 2017 and September 30, 2017. 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 hereof or to reflect the occurrence of unanticipated events.*

**Rent-A-Center, Inc. and Subsidiaries**

**STATEMENT OF EARNINGS (LOSS) HIGHLIGHTS - UNAUDITED**

Table 3

|  | <b>Three Months Ended December 31,</b> |                      |                             |                      |
|--|--|----------------------|-----------------------------|----------------------|
|  | <b>2017</b>                            | <b>2017</b>          | <b>2016</b>                 | <b>2016</b>          |
|  | <i>Before</i>                          | <i>After</i>         | <i>Before</i>               | <i>After</i>         |
|  | <i>Special Items</i>                   | <i>Special Items</i> | <i>Special Items</i>        | <i>Special Items</i> |
|  | <i>(Non-GAAP</i>                       | <i>(GAAP</i>         | <i>(Non-GAAP</i>            | <i>(GAAP</i>         |
|  | <i>Earnings)</i>                       | <i>Earnings)</i>     | <i>Earnings)</i>            | <i>Earnings)</i>     |
| <i>(In thousands, except per share data)</i>             |  |                      |                             |                      |
| Total revenues   | \$ 638,954                             | \$ 638,954           | \$ 684,104                  | \$ 684,104           |
| Operating loss   | (27,254) <sup>(1)</sup>                | (54,893)             | (9,897) <sup>(3)</sup>      | (159,276)            |
| Net (loss) earnings                                      | (22,106) <sup>(1)(2)</sup>             | 34,824               | (12,363) <sup>(3)(4)</sup>  | (146,383)            |
| Diluted (loss) earnings per common share                 | \$ (0.41) <sup>(1)(2)</sup>            | \$ 0.65              | \$ (0.23) <sup>(3)(4)</sup> | \$ (2.76)            |
| Adjusted EBITDA  | \$ (8,543)                             | \$ (8,543)           | \$ 9,961                    | \$ 9,961             |
| <b>Reconciliation to Adjusted EBITDA:</b>                |  |                      |                             |                      |
| Loss before income taxes                                 | \$ (38,605) <sup>(1)</sup>             | \$ (66,244)          | \$ (21,497) <sup>(3)</sup>  | \$ (170,876)         |
| Add back:  |  |                      |                             |                      |
| Goodwill impairment charge                               | —                                      | —                    | —                           | 151,320              |
| Other charges  | —                                      | 27,639               | —                           | (1,941)              |
| Interest expense, net                                    | 11,351                                 | 11,351               | 11,600                      | 11,600               |
| Depreciation, amortization and impairment of intangibles | 18,711                                 | 18,711               | 19,858                      | 19,858               |
| Adjusted EBITDA  | <u>\$ (8,543)</u>                      | <u>\$ (8,543)</u>    | <u>\$ 9,961</u>             | <u>\$ 9,961</u>      |

(1) Excludes the effects of approximately \$27.6 million of pre-tax charges including \$18.2 million for capitalized software write-downs, \$3.5 million for hurricane damages, \$3.1 million for the closure of Acceptance Now locations, \$2.0 million for incremental legal and advisory fees, \$0.5 million in legal settlements, and \$0.3 million for previous store closure plans. These charges reduced net earnings and net earnings per diluted share for the three months ended December 31, 2017, by approximately \$17.0 million and \$0.32, respectively.

(2) Excludes the effects of a \$77.5 million gain resulting from the Tax Cuts and Jobs Act and \$3.6 million of discrete income tax adjustments that increased net earnings per diluted share by \$1.38.

(3) Excludes the effects of a \$151.3 million pre-tax goodwill impairment charge in the Core U.S. segment, and a \$0.3 million pre-tax restructuring charge and a \$2.2 million pre-tax gain related to a legal claims settlement. These charges reduced net earnings and net earnings per diluted share for the three months ended December 31, 2016, by approximately \$127.0 million and \$2.40, respectively.

(4) Excludes the effects of \$7.1 million of discrete income tax adjustments that decreased net earnings per diluted share by \$0.13.

**STATEMENT OF EARNINGS (LOSS) HIGHLIGHTS - UNAUDITED**

Table 4

|  | <b>Twelve Months Ended December 31,</b> |                      |                           |                      |
|--|---|----------------------|---------------------------|----------------------|
|  | <b>2017</b>                             | <b>2017</b>          | <b>2016</b>               | <b>2016</b>          |
|  | <i>Before</i>                           | <i>After</i>         | <i>Before</i>             | <i>After</i>         |
|  | <i>Special Items</i>                    | <i>Special Items</i> | <i>Special Items</i>      | <i>Special Items</i> |
|  | <i>(Non-GAAP</i>                        | <i>(GAAP</i>         | <i>(Non-GAAP</i>          | <i>(GAAP</i>         |
|  | <i>Earnings)</i>                        | <i>Earnings)</i>     | <i>Earnings)</i>          | <i>Earnings)</i>     |
| <i>(In thousands, except per share data)</i>             |   |                      |                           |                      |
| Total revenues   | \$ 2,702,540                            | \$ 2,702,540         | \$ 2,963,252              | \$ 2,963,252         |
| Operating (loss) profit                                  | (3,840) <sup>(1)</sup>                  | (63,059)             | 105,023 <sup>(3)</sup>    | (66,596)             |
| Net (loss) earnings                                      | (28,715) <sup>(1)(2)</sup>              | 6,653                | 40,948 <sup>(3)(4)</sup>  | (105,195)            |
| Diluted (loss) earnings per common share                 | \$ (0.54) <sup>(1)(2)</sup>             | \$ 0.12              | \$ 0.77 <sup>(3)(4)</sup> | \$ (1.98)            |
| Adjusted EBITDA  | \$ 70,799                               | \$ 70,799            | \$ 185,479                | \$ 185,479           |
| <b>Reconciliation to Adjusted EBITDA:</b>                |   |                      |                           |                      |
| (Loss) earnings before income taxes                      | \$ (49,045) <sup>(1)</sup>              | \$ (110,200)         | \$ 58,345 <sup>(3)</sup>  | \$ (113,274)         |
| Add back:  |   |                      |                           |                      |
| Goodwill impairment charge                               | —                                       | —                    | —                         | 151,320              |
| Other charges  | —                                       | 59,219               | —                         | 20,299               |
| Debt refinancing charges                                 | —                                       | 1,936                | —                         | —                    |
| Interest expense, net                                    | 45,205                                  | 45,205               | 46,678                    | 46,678               |
| Depreciation, amortization and impairment of intangibles | 74,639                                  | 74,639               | 80,456                    | 80,456               |

|                 |                  |                  |                   |                   |
|-----------------|------------------|------------------|-------------------|-------------------|
| Adjusted EBITDA | <u>\$ 70,799</u> | <u>\$ 70,799</u> | <u>\$ 185,479</u> | <u>\$ 185,479</u> |
|-----------------|------------------|------------------|-------------------|-------------------|

(1) Excludes the effects of approximately \$59.2 million of pre-tax charges including \$24.0 million related to the closure of Acceptance Now locations, \$18.2 million for capitalized software write-downs, \$6.5 million for incremental legal and advisory fees, \$5.4 million for hurricane damages, \$3.4 million for reductions at the field support center, \$1.1 million for previous store closure plans, and \$0.6 million in legal settlements. Also excludes the effects of approximately \$1.9 million of debt refinancing charges. These charges reduced net earnings and net earnings per diluted share for the twelve months ended December 31, 2017, by approximately \$37.3 million and \$0.70, respectively.

(2) Excludes the effects of a \$77.5 million gain resulting from the Tax Cuts and Jobs Act, \$3.6 million of discrete income tax adjustments and \$1.9 million of pre-tax debt refinancing charges that increased net earnings and net earnings per diluted share for the twelve months ended December 31, 2017, by approximately \$72.6 million and \$1.36, respectively.

(3) Excludes the effects of a \$151.3 million pre-tax goodwill impairment charge in the Core U.S. segment, and \$20.3 million of pre-tax charges primarily related to the closure of Core U.S. and Mexico stores, and Acceptance Now locations, partially offset by litigation settlements. These charges reduced net earnings and net earnings per diluted share for the twelve months ended December 31, 2016, by approximately \$141.1 million and \$2.66, respectively.

(4) Excludes the effects of \$5.0 million of discrete income tax adjustments that increased net earnings per diluted share by \$0.09.

### SELECTED BALANCE SHEET HIGHLIGHTS - UNAUDITED

| Table 5<br>(In thousands)         | December 31, |            |
|-----------------------------------|--------------|------------|
|                                   | 2017         | 2016       |
| Cash and cash equivalents         | \$ 72,968    | \$ 95,396  |
| Receivables, net                  | 69,823       | 69,785     |
| Prepaid expenses and other assets | 64,577       | 54,989     |
| Rental merchandise, net           |              |            |
| On rent                           | 701,803      | 795,118    |
| Held for rent                     | 167,188      | 206,836    |
| Goodwill                          | 56,614       | 55,308     |
| Total assets                      | 1,420,781    | 1,602,741  |
| Senior debt, net                  | \$ 134,125   | \$ 186,747 |
| Senior notes, net                 | 538,762      | 537,483    |
| Total liabilities                 | 1,148,338    | 1,337,808  |
| Stockholders' equity              | 272,443      | 264,933    |

### Rent-A-Center, Inc. and Subsidiaries

### CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) - UNAUDITED

| Table 6<br>(In thousands, except per share data) | Three Months Ended December 31, |            | Twelve Months Ended December 31, |              |
|--|---------------------------------|------------|----------------------------------|--------------|
|  | 2017                            | 2016       | 2017                             | 2016         |
| Revenues   |                                 |            |                                  |              |
| Store  |                                 |            |                                  |              |
| Rentals and fees                                 | \$ 544,722                      | \$ 584,869 | \$ 2,267,741                     | \$ 2,500,053 |
| Merchandise sales                                | 65,341                          | 69,495     | 331,402                          | 351,198      |
| Installment sales                                | 19,961                          | 20,791     | 71,651                           | 74,509       |
| Other  | 2,192                           | 2,705      | 9,620                            | 12,706       |
| Total store revenues                             | 632,216                         | 677,860    | 2,680,414                        | 2,938,466    |
| Franchise  |                                 |            |                                  |              |
| Merchandise sales                                | 3,946                           | 4,275      | 13,157                           | 16,358       |
| Royalty income and fees                          | 2,792                           | 1,969      | 8,969                            | 8,428        |
| Total revenues                                   | 638,954                         | 684,104    | 2,702,540                        | 2,963,252    |
| Cost of revenues                                 |                                 |            |                                  |              |
| Store  |                                 |            |                                  |              |
| Cost of rentals and fees                         | 150,847                         | 160,011    | 625,358                          | 664,845      |
| Cost of merchandise sold                         | 65,898                          | 70,254     | 322,628                          | 323,727      |
| Cost of installment sales                        | 7,523                           | 7,045      | 23,622                           | 24,285       |
| Total cost of store revenues                     | 224,268                         | 237,310    | 971,608                          | 1,012,857    |

|  |                          |                         |                          |                        |
|--|--------------------------|-------------------------|--------------------------|------------------------|
| Franchise cost of merchandise sold                       | 3,805                    | 4,073                   | 12,390                   | 15,346                 |
| Total cost of revenues                                   | <u>228,073</u>           | <u>241,383</u>          | <u>983,998</u>           | <u>1,028,203</u>       |
| Gross profit   | 410,881                  | 442,721                 | 1,718,542                | 1,935,049              |
| Operating expenses                                       |                          |                         |                          |                        |
| Store expenses   |                          |                         |                          |                        |
| Labor  | 181,269                  | 193,381                 | 732,466                  | 789,049                |
| Other store expenses                                     | 197,702                  | 191,855                 | 744,187                  | 791,614                |
| General and administrative expenses                      | 40,453                   | 47,524                  | 171,090                  | 168,907                |
| Depreciation, amortization and impairment of intangibles | 18,711                   | 19,858                  | 74,639                   | 80,456                 |
| Goodwill impairment                                      | —                        | 151,320 <sup>(3)</sup>  | —                        | 151,320 <sup>(3)</sup> |
| Other charges  | 27,639 <sup>(1)</sup>    | (1,941) <sup>(4)</sup>  | 59,219 <sup>(6)</sup>    | 20,299 <sup>(8)</sup>  |
| Total operating expenses                                 | <u>465,774</u>           | <u>601,997</u>          | <u>1,781,601</u>         | <u>2,001,645</u>       |
| Operating loss   | (54,893)                 | (159,276)               | (63,059)                 | (66,596)               |
| Debt refinancing charges                                 | —                        | —                       | 1,936                    | —                      |
| Interest expense   | 11,650                   | 11,757                  | 45,996                   | 47,181                 |
| Interest income  | (299)                    | (157)                   | (791)                    | (503)                  |
| Loss before income taxes                                 | (66,244)                 | (170,876)               | (110,200)                | (113,274)              |
| Income tax benefit                                       | (101,068) <sup>(2)</sup> | (24,493) <sup>(5)</sup> | (116,853) <sup>(7)</sup> | (8,079) <sup>(9)</sup> |
| Net earnings (loss)                                      | <u>\$ 34,824</u>         | <u>\$ (146,383)</u>     | <u>\$ 6,653</u>          | <u>\$ (105,195)</u>    |
| Basic weighted average shares                            | <u>53,312</u>            | <u>53,154</u>           | <u>53,282</u>            | <u>53,121</u>          |
| Basic (loss) earnings per common share                   | <u>\$ 0.65</u>           | <u>\$ (2.76)</u>        | <u>\$ 0.12</u>           | <u>\$ (1.98)</u>       |
| Diluted weighted average shares                          | <u>53,894</u>            | <u>53,154</u>           | <u>53,844</u>            | <u>53,121</u>          |
| Diluted (loss) earnings per common share                 | <u>\$ 0.65</u>           | <u>\$ (2.76)</u>        | <u>\$ 0.12</u>           | <u>\$ (1.98)</u>       |

(1) Includes pre-tax charges of \$18.2 million for capitalized software write-downs, \$3.5 million for hurricane damages, \$3.1 million for the closure of Acceptance Now locations, \$2.0 million for incremental legal and advisory fees, \$0.5 million in legal settlements, and \$0.3 million for previous store closure plans.

(2) Includes a \$77.5 million gain resulting from the Tax Cuts and Jobs Act and \$3.6 million of discrete income tax adjustments.

(3) Includes \$151.3 million goodwill impairment charge in the Core U.S. segment.

(4) Includes \$0.3 million pre-tax restructuring charge offset by a \$2.2 million litigation claims settlement.

(5) Includes \$7.1 million of discrete income tax adjustments.

(6) Includes pre-tax charges of \$24.0 million for the closure of Acceptance Now locations, \$18.2 million for capitalized software write-downs, \$6.5 million for incremental legal and advisory fees, \$5.4 million for hurricane damages, \$3.4 million for reductions at the field support center, \$1.1 million for previous store closure plans, and \$0.6 million in legal settlements.

(7) Includes a \$77.5 million gain resulting from the Tax Cuts and Jobs Act and \$3.6 million of discrete income tax adjustments.

(8) Includes \$20.3 million of pre-tax charges primarily related to the closure of Core U.S. and Mexico stores, and Acceptance Now locations, partially offset by legal settlements.

(9) Includes \$5.0 million of discrete income tax adjustments.

### Rent-A-Center, Inc. and Subsidiaries

#### SEGMENT INFORMATION HIGHLIGHTS - UNAUDITED

| Table 7<br>(In thousands) | Three Months Ended December 31, |                   | Twelve Months Ended December 31, |                     |
|---------------------------|---------------------------------|-------------------|----------------------------------|---------------------|
|                           | 2017                            | 2016              | 2017                             | 2016                |
| Revenues                  |                                 |                   |                                  |                     |
| Core U.S.                 | \$ 444,735                      | \$ 472,943        | \$ 1,835,422                     | \$ 2,069,725        |
| Acceptance Now            | 175,827                         | 193,504           | 797,987                          | 817,814             |
| Mexico                    | 11,654                          | 11,413            | 47,005                           | 50,927              |
| Franchising               | 6,738                           | 6,244             | 22,126                           | 24,786              |
| Total revenues            | <u>\$ 638,954</u>               | <u>\$ 684,104</u> | <u>\$ 2,702,540</u>              | <u>\$ 2,963,252</u> |

| Table 8<br>(In thousands) | Three Months Ended December 31, |            | Twelve Months Ended December 31, |              |
|---------------------------|---------------------------------|------------|----------------------------------|--------------|
|                           | 2017                            | 2016       | 2017                             | 2016         |
| Gross profit              |                                 |            |                                  |              |
| Core U.S.                 | \$ 310,473                      | \$ 329,590 | \$ 1,276,212                     | \$ 1,467,679 |
| Acceptance Now            | 89,551                          | 102,889    | 400,002                          | 422,381      |

|                    |                   |                   |                     |                     |
|--------------------|-------------------|-------------------|---------------------|---------------------|
| Mexico             | 7,924             | 8,071             | 32,592              | 35,549              |
| Franchising        | 2,933             | 2,171             | 9,736               | 9,440               |
| Total gross profit | <u>\$ 410,881</u> | <u>\$ 442,721</u> | <u>\$ 1,718,542</u> | <u>\$ 1,935,049</u> |

Table 9  
(In thousands)

|                      | Three Months Ended December 31, |                             | Twelve Months Ended December 31, |                           |
|----------------------|---------------------------------|-----------------------------|----------------------------------|---------------------------|
|                      | 2017                            | 2016                        | 2017                             | 2016                      |
| Operating loss       |                                 |                             |                                  |                           |
| Core U.S.            | \$ 6,955 <sup>(1)</sup>         | \$ (128,029) <sup>(4)</sup> | \$ 86,196 <sup>(5)</sup>         | \$ (1,020) <sup>(9)</sup> |
| Acceptance Now       | (977) <sup>(2)</sup>            | 19,417                      | 48,618 <sup>(6)</sup>            | 105,925                   |
| Mexico               | (138)                           | (646)                       | (260) <sup>(7)</sup>             | (2,449) <sup>(10)</sup>   |
| Franchising          | 1,516                           | 1,382                       | 5,081                            | 5,650                     |
| Total segments       | 7,356                           | (107,876)                   | 139,635                          | 108,106                   |
| Corporate            | (62,249) <sup>(3)</sup>         | (51,400)                    | (202,694) <sup>(8)</sup>         | (174,702)                 |
| Total operating loss | <u>\$ (54,893)</u>              | <u>\$ (159,276)</u>         | <u>\$ (63,059)</u>               | <u>\$ (66,596)</u>        |

- (1) Includes \$4.6 million of pre-tax charges primarily related to \$2.4 million in hurricane damages, \$1.9 million in capitalized software write-downs, and \$0.3 million in previous store closure plans.
- (2) Includes \$5.6 million of pre-tax charges primarily related to \$3.1 million for closure of Acceptance Now locations, \$1.4 million in capitalized software write-downs, and \$1.1 million in hurricane damages.
- (3) Includes \$17.4 million of pre-tax charges related to \$14.9 million in capitalized software write-downs, \$2.0 million in incremental legal and advisory fees, and \$0.5 million in legal settlements.
- (4) Includes a \$151.3 million goodwill impairment charge and \$0.3 million of restructuring charges primarily related to the closure of Core U.S. stores and Acceptance Now locations, offset by a \$2.2 million pre-tax gain related to a legal claims settlement.
- (5) Includes \$7.2 million of pre-tax charges primarily related to \$3.8 million in hurricane damages, \$1.9 million in capitalized software write-downs, \$0.9 million in previous store closure plans, and \$0.6 million in legal settlements.
- (6) Includes \$27.0 million of pre-tax charges primarily related to \$24.0 million for the closure of Acceptance Now locations, \$1.6 million in hurricane damages, and \$1.4 million in capitalized software write-downs.
- (7) Includes \$0.3 million of pre-tax charges primarily related to \$0.2 million for closure of stores and \$0.1 million for legal settlements.
- (8) Includes \$24.7 million of pre-tax charges related to \$14.9 million in capitalized software write-downs, \$6.5 million in incremental legal and advisory fees, and \$3.4 million for reductions at the field support center, partially offset by \$0.1 million in legal settlements.
- (9) Includes a \$151.3 million goodwill impairment charge and a \$20.2 million restructuring charge, offset by a \$2.2 million pre-tax gain related to a legal claims settlement.
- (10) Includes \$2.3 million of restructuring charges related to the closure of Mexico stores.

|  | Three Months Ended December 31, |                         | Twelve Months Ended December 31, |                          |
|--|---------------------------------|-------------------------|----------------------------------|--------------------------|
|  | 2017                            | 2016                    | 2017                             | 2016                     |
| Depreciation, amortization and impairment of intangibles       |                                 |                         |                                  |                          |
| Core U.S.  | \$ 7,355                        | \$ 8,784 <sup>(1)</sup> | \$ 31,070                        | \$ 39,734 <sup>(1)</sup> |
| Acceptance Now   | 515                             | 829                     | 2,498                            | 3,309                    |
| Mexico   | 424                             | 630                     | 1,973                            | 3,179                    |
| Franchising  | 44                              | 44                      | 177                              | 177                      |
| Total segments   | 8,338                           | 10,287                  | 35,718                           | 46,399                   |
| Corporate  | 10,373                          | 9,571                   | 38,921                           | 34,057                   |
| Total depreciation, amortization and impairment of intangibles | <u>\$ 18,711</u>                | <u>\$ 19,858</u>        | <u>\$ 74,639</u>                 | <u>\$ 80,456</u>         |

- (1) We recorded an impairment charge of \$3.9 million to our intangible assets, related to a vendor relationship, in the ANOW segment during the first quarter of 2017, and a goodwill impairment charge of \$151.3 million in the Core U.S. segment during the fourth quarter of 2016 not included in the table above.

|                      | Three Months Ended December 31, |          | Twelve Months Ended December 31, |           |
|----------------------|---------------------------------|----------|----------------------------------|-----------|
|                      | 2017                            | 2016     | 2017                             | 2016      |
| Capital expenditures |                                 |          |                                  |           |
| Core U.S.            | \$ 5,173                        | \$ 9,710 | \$ 26,506                        | \$ 20,802 |
| Acceptance Now       | 1,198                           | 873      | 2,723                            | 2,330     |
| Mexico               | 21                              | 24       | 124                              | 283       |

|                            |           |           |           |           |
|----------------------------|-----------|-----------|-----------|-----------|
| Total segments             | 6,392     | 10,607    | 29,353    | 23,415    |
| Corporate                  | 5,540     | 3,697     | 36,107    | 37,728    |
| Total capital expenditures | \$ 11,932 | \$ 14,304 | \$ 65,460 | \$ 61,143 |

Table 12

(In thousands)

|                               | On Rent at December 31, |            | Held for Rent at December 31, |            |
|-------------------------------|-------------------------|------------|-------------------------------|------------|
|                               | 2017                    | 2016       | 2017                          | 2016       |
| Rental merchandise, net       |                         |            |                               |            |
| Core U.S.                     | \$ 408,993              | \$ 426,845 | \$ 156,039                    | \$ 192,718 |
| Acceptance Now                | 278,443                 | 354,486    | 4,940                         | 7,489      |
| Mexico                        | 14,367                  | 13,787     | 6,209                         | 6,629      |
| Total rental merchandise, net | \$ 701,803              | \$ 795,118 | \$ 167,188                    | \$ 206,836 |

Table 13

(In thousands)

|                | December 31, |              |
|----------------|--------------|--------------|
|                | 2017         | 2016         |
| Assets         |              |              |
| Core U.S.      | \$ 776,296   | \$ 860,717   |
| Acceptance Now | 350,970      | 432,383      |
| Mexico         | 33,529       | 31,415       |
| Franchising    | 3,802        | 2,197        |
| Total segments | 1,164,597    | 1,326,712    |
| Corporate      | 256,184      | 276,029      |
| Total assets   | \$ 1,420,781 | \$ 1,602,741 |

## Rent-A-Center, Inc. and Subsidiaries

## LOCATION ACTIVITY - UNAUDITED

Table 14

## Three Months Ended December 31, 2017

|   | Acceptance Now |         | Mexico | Franchising | Total |       |
|---|----------------|---------|--------|-------------|-------|-------|
|   | Core U.S.      | Staffed |        |             |       |       |
| Locations at beginning of period                                      | 2,406          | 1,175   | 76     | 131         | 227   | 4,015 |
| New location openings   | —              | 26      | 13     | —           | 1     | 40    |
| Acquired locations remaining open                                     | —              | —       | —      | —           | 1     | 1     |
| Conversions   | —              | (48)    | 48     | —           | —     | —     |
| Closed locations  |                |         |        |             |       |       |
| Merged with existing locations  | (11)           | (47)    | (12)   | —           | —     | (70)  |
| Sold or closed with no surviving location                             | (14)           | —       | —      | —           | (4)   | (18)  |
| Locations at end of period  | 2,381          | 1,106   | 125    | 131         | 225   | 3,968 |
| Acquired locations closed and accounts merged with existing locations | 2              | —       | —      | —           | —     | 2     |

Table 15

## Three Months Ended December 31, 2016

|   | Acceptance Now |         | Mexico | Franchising | Total |       |
|---|----------------|---------|--------|-------------|-------|-------|
|   | Core U.S.      | Staffed |        |             |       |       |
| Locations at beginning of period          | 2,469          | 1,373   | 495    | 130         | 231   | 4,698 |
| New location openings                     | —              | 70      | 17     | —           | —     | 87    |
| Acquired locations remaining open         | —              | —       | —      | —           | —     | —     |
| Conversions                               | —              | 2       | (2)    | —           | —     | —     |
| Closed locations                          |                |         |        |             |       |       |
| Merged with existing locations            | (2)            | (14)    | —      | —           | —     | (16)  |
| Sold or closed with no surviving location | (4)            | —       | (32)   | —           | (2)   | (38)  |
| Locations at end of period                | 2,463          | 1,431   | 478    | 130         | 229   | 4,731 |

Acquired locations closed and accounts merged with existing locations

— — — — —

Table 16

|   | Twelve Months Ended December 30, 2017 |                |                |            |             |              |
|---|---------------------------------------|----------------|----------------|------------|-------------|--------------|
|   | Core U.S.                             | Acceptance Now | Acceptance Now | Mexico     | Franchising | Total        |
|   |                                       | Staffed        | Direct         |            |             |              |
| Locations at beginning of period                                      | 2,463                                 | 1,431          | 478            | 130        | 229         | 4,731        |
| New location openings   | —                                     | 222            | 24             | 1          | 1           | 248          |
| Acquired locations remaining open                                     | —                                     | —              | —              | —          | 4           | 4            |
| Conversions   | —                                     | (63)           | 63             | —          | —           | —            |
| Closed locations  |                                       |                |                |            |             |              |
| Merged with existing locations  | (51)                                  | (483)          | (439)          | —          | —           | (973)        |
| Sold or closed with no surviving location                             | (31)                                  | (1)            | (1)            | —          | (9)         | (42)         |
| Locations at end of period  | <u>2,381</u>                          | <u>1,106</u>   | <u>125</u>     | <u>131</u> | <u>225</u>  | <u>3,968</u> |
| Acquired locations closed and accounts merged with existing locations | 8                                     | —              | —              | —          | —           | 8            |

Table 17

|   | Twelve Months Ended December 31, 2016 |                |                |            |             |              |
|---|---------------------------------------|----------------|----------------|------------|-------------|--------------|
|   | Core U.S.                             | Acceptance Now | Acceptance Now | Mexico     | Franchising | Total        |
|   |                                       | Staffed        | Direct         |            |             |              |
| Locations at beginning of period                                      | 2,672                                 | 1,444          | 532            | 143        | 227         | 5,018        |
| New location openings   | —                                     | 171            | 67             | 1          | 2           | 241          |
| Acquired locations remaining open                                     | —                                     | —              | —              | —          | 5           | 5            |
| Conversions   | —                                     | 1              | (2)            | —          | —           | (1)          |
| Closed locations  |                                       |                |                |            |             |              |
| Merged with existing locations  | (185)                                 | (185)          | —              | (4)        | (1)         | (375)        |
| Sold or closed with no surviving location                             | (24)                                  | —              | (119)          | (10)       | (4)         | (157)        |
| Locations at end of period  | <u>2,463</u>                          | <u>1,431</u>   | <u>478</u>     | <u>130</u> | <u>229</u>  | <u>4,731</u> |
| Acquired locations closed and accounts merged with existing locations | 3                                     | —              | —              | —          | —           | 3            |



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