



Rent-A-Center, Inc. Reports Record Fourth Quarter and Year End 2002 Results

February 10, 2003

Diluted Earnings Per Share Rise 44.8%;
Fourth Quarter Same Stores Sales Increase 4.7%;
Completes Acquisition of 295 Rent-Way Locations

PLANO, Texas, Feb. 10 /PRNewswire-FirstCall/ -- Rent-A-Center, Inc. (Nasdaq: RCII) (the "Company"), the leading rent-to-own operator in the U.S., today announced record revenues and net earnings for the quarter and year ended December 31, 2002.

The Company reported total revenues for the quarter ended December 31, 2002 of \$522.2 million as compared to \$479.0 million for the same quarter of the prior year, an increase of 9.0%. Net earnings rose to \$45.2 million or \$1.26 per diluted share in the fourth quarter of 2002, after being reduced by approximately \$1.1 million in pre-tax expenses associated with amending the Company's Senior Credit Facilities, otherwise net earnings for the quarter would have been \$1.28 per diluted share. The amendment provides for, among other effects, increased flexibility to distribute cash to shareholders through stock repurchases and/or the payment of dividends. After adjusting reported results for the fourth quarter of 2001 to exclude the effects of goodwill amortization and a non-recurring charge of \$36.0 million relating to the settlement of its class action gender discrimination lawsuits, net earnings and diluted earnings per share increased \$13.0 million and \$0.39, respectively. On a comparable basis, this represents an increase in diluted earnings per share of 44.8%. The Company's quarterly growth in revenues and net earnings was primarily driven by higher than expected growth in same store revenues, incremental revenues from new and acquired stores and the continued benefit of the Company's cost control programs instituted in the fall of 2001. Same store revenues (revenues earned in stores operated for the entirety of both periods) during the fourth quarter of 2002 increased 4.7% above the comparable quarter of 2001.

"We are very pleased to report record levels of revenue and profitability this quarter which is the culmination of the collaborative efforts of all of our employees," commented Mark E. Speese, the Company's Chairman and Chief Executive Officer. "We were able to deliver on our expectations, and in many cases exceed those expectations, throughout 2002, consistent with the goals we established in the fourth quarter of 2001," Speese added.

Net earnings for the twelve months ended December 31, 2002 were \$175.1 million compared with \$122.4 million, on a comparable basis, for the twelve months ended December 31, 2001, representing an increase of 43.1%. Diluted earnings per share rose to \$4.82 for the twelve months ended December 31, 2002 compared with earnings of \$3.30 per diluted share, on a comparable basis, for the twelve months ended December 31, 2001, an increase of 46.1%. Total revenues for the twelve months ended December 31, 2002 increased to \$2.010 billion from \$1.809 billion in 2001, representing an increase of 11.1%. Same store revenues for the twelve-month period ended December 31, 2002 increased 6.0%.

In the fourth quarter of 2002, the Company opened 31 new locations, acquired 19 stores and purchased accounts from 42 locations. The Company has opened 10 new stores during the first quarter of 2003 and intends to open 80 to 100 new stores during 2003, as well as continue to pursue opportunistic acquisitions. The Company believes this growth can be funded with internally generated cash flow. During the year ended December 31, 2002, the Company generated \$294.5 million in cash flow from operations, enabling the Company to reduce total debt outstanding by \$181.3 million, fund the growth of an additional 153 stores and accounts from 126 locations and repurchase \$65.6 million in outstanding common stock. The Company ended the year with approximately \$85.7 million of cash on hand.

The Company also announced today the completion of the acquisition of 295 stores from Rent-Way, Inc. This acquisition was financed entirely with cash on hand and is expected to add approximately \$95.0 million in revenue in 2003, as well as approximately \$0.15 in diluted earnings per share. The earnings guidance which follows has been adjusted to reflect the acquisition of the Rent-Way stores. "We are excited about the opportunities inherent in these stores," commented Speese. "While there is a benefit in both revenue and earnings in 2003 from this acquisition, we view the long term potential upside as significant as well."

Rent-A-Center will host a conference call to discuss the fourth quarter financial results and other business updates on Tuesday morning, February 11, 2003, at 10:45 a.m. EST. For a live webcast of the call, visit http://www.rentacenter.com/coinfo_calendar.asp. The webcast will be archived for a period of two weeks.

Rent-A-Center, Inc., headquartered in Plano, Texas, immediately prior to the closing of the Rent-Way acquisition operated approximately 2,415 company-owned stores nationwide and in Puerto Rico. The stores generally offer high-quality, durable goods such as home electronics, appliances, computers and furniture and accessories to consumers under flexible rental purchase agreements that generally allow the customer to obtain ownership of the merchandise at the conclusion of an agreed-upon rental period. ColorTyme, Inc., a wholly owned subsidiary of the Company, is a national franchiser of 318 rent-to-own stores, 306 of which operate under the trade name of "ColorTyme," and the remaining 12 of which operate under the "Rent-A-Center" name.

The following statements are based on current expectations. These statements are forward-looking, and actual results may differ materially. These

statements do not include the potential impact of store acquisitions or changes in our capital structure that may be completed after February 10, 2003.

FIRST QUARTER 2003 GUIDANCE:

Revenues

- The Company expects total revenues to be in the range of \$550 million to \$555 million.
- Store rental and fee revenues are expected to be between \$485 million and \$490 million.
- Total store revenues are expected to be in the range of \$536 million to \$541 million.
- Same store sales increases are expected to be in the 2% to 4% range.
- The Company expects to open 15-20 new store locations.

Expenses

- The Company expects depreciation of rental merchandise to be between 21.6% and 22.0% of store rental and fee revenue and cost of goods merchandise sales to be between 70% and 75% of store merchandise sales.
- Store salaries and other expenses are expected to be in the range of 52.5% to 54.0% of total store revenue.
- General and administrative expenses are expected to be between 3.0% and 3.2% of total revenue.
- Interest expense is expected to be approximately \$14.0 million and amortization of intangibles is expected to be approximately \$2.6 million.
- The effective tax rate is expected to be between 39.0% and 39.5% of pre-tax income.
- Diluted earnings per share are estimated to be in the range of \$1.34 to \$1.37.
- Diluted shares outstanding are estimated to be between 36.0 million and 36.4 million.

FISCAL 2003 GUIDANCE:

Revenues

- The Company expects total revenues to be in the range of \$2.195 billion and \$2.230 billion.
- Store rental and fee revenues are expected to be between \$1.990 billion and \$2.015 billion.
- Total store revenues are expected to be in the range of \$2.145 billion and \$2.175 billion.
- Same store sales increases are expected to be in the 2% to 4% range.
- The Company expects to open approximately 80 to 100 new store locations.

Expenses

- The Company expects depreciation of rental merchandise to be between 21.6% and 22.0% of store rental and fee revenue and cost of goods merchandise sales to be between 73% and 78% of store merchandise sales.
- Store salaries and other expenses are expected to be in the range of 53.5% to 55.0% of total store revenue.
- General and administrative expenses are expected to be between 3.0% and 3.2% of total revenue.
- Interest expense is expected to be between \$50.0 million and \$56.0 million and amortization of intangibles is expected to be approximately \$12.0 million.
- Tax rate is expected to be between 39.0% and 39.5% of pre-tax income.
- Diluted earnings per share are estimated to be in the range of \$5.45 to \$5.60.
- Diluted shares outstanding are estimated to be between 36.1 million and 36.7 million.

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. 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, including the stores acquired in the Rent-Way acquisition; the Company's ability to control store level costs; the Company's ability to realize benefits from its margin enhancement initiatives; 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; the Company's ability to effectively hedge interest rates on its outstanding debt; 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 under its common stock repurchase program; 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 for the year ended December 31, 2001 and its quarterly reports on Form 10-Q for the quarter ended March 31, 2002,

on Form 10-Q for the quarter ended June 30, 2002 and of Form 10-Q for the quarter ended September 30, 2002. 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, Inc. and Subsidiaries

STATEMENT OF EARNINGS HIGHLIGHTS

| | Three Months Ended December 31, | | |
|---|---------------------------------|-----------|-----------------------------------|
| | 2002 | 2001 | 2001 |
| | | | Before Non-Recurring Charge |
| (In thousands of Dollars, except for per share data) | | | |
| | Unaudited | | |
| Total Revenues | \$522,213 | \$478,993 | \$478,993 |
| Operating Profit | 89,826 | 59,089 | 23,089 (A) |
| Net Earnings | 45,218 | 26,020 | 3,700 (A) |
| Diluted Earnings Per Common Share | 1.26 | 0.70 | 0.10 (A) |
| EBITDA | \$101,506 | \$76,685 | \$40,685 (A) |

| | Twelve Months Ended December 31, | | | |
|--|----------------------------------|---------------|------------------------------------|-----------------------------------|
| | 2002 | 2002 | 2001 | 2001 |
| | | | Before Non-Recurring Charges | After Non-Recurring Charges |
| (In thousands of Dollars, except per share data) | | | | |
| | Unaudited | | | |
| Total Revenues | \$2,010,044 | \$2,010,044 | \$1,808,528 | \$1,808,528 |
| Operating Profit | 352,449 | 350,449 (B) | 236,586 | 184,586 (C) |
| Net Earnings | 175,094 | 172,173 (B) | 97,497 | 66,217 (C) |
| Diluted Earnings Per Common Share | 4.82 | 4.74 (B) | 2.63 | 1.79 (C) |
| EBITDA | \$395,854 | \$393,854 (B) | \$304,690 | \$252,690 (C) |

(A) Including the effects of a pre-tax, non-recurring legal charge of

\$36.0 million associated with the settlement of class action gender discrimination lawsuits.

(B) Including the effects of a pre-tax legal charge of \$2.0 million

associated with the settlement of class action gender discrimination lawsuits and \$2.9 million associated with the early retirement of debt.

(C) Including the effects of a pre-tax, non-recurring legal charge of

\$52.0 million associated with the settlement of class action gender discrimination lawsuits.

Rent-A-Center, Inc. and Subsidiaries

Diluted Earnings Per Common Share before Goodwill Amortization

(In Thousands of Dollars,

except per share data)

Three Months Ended December 31,

| | 2002 | 2001 Before Non-Recurring Legal Charges | 2001 After Non-Recurring Legal Charges | |
|---|----------|--|---|-----------|
| | | | | Unaudited |
| Net Earnings | \$45,218 | \$26,020 | \$3,700 | (A) |
| Goodwill Amortization Net of Tax Effects | --- | 6,167 | 6,167 | |
| Adjusted Net Earnings | \$45,218 | \$32,187 | \$9,867 | (A) |
| Diluted Weighted Average Shares Outstanding | 35,917 | 36,965 | 36,965 | |
| Diluted Earnings Per Common Share Before Goodwill Amortization | \$1.26 | \$0.87 | \$0.27 | (A) |

Twelve Months Ended December 31,

| | 2002 | 2002 | 2001 | 2001 |
|--|-------------------------------------|------------------------------------|---|--|
| | Before Non- Recurring Charges | After Non- Recurring Charges | Before Non- Recurring Legal Charges | After Non- Recurring Legal Charges |
| | | | | Unaudited |
| Net Earnings | \$175,094 | \$172,173 (B) | \$97,497 | \$66,217 (C) |
| Goodwill Amortization Net of Tax Effects | --- | --- | 24,892 | 24,892 |
| Adjusted Net Earnings | \$175,094 | \$172,173 (B) | \$122,389 | \$91,109 (C) |
| Diluted Weighted Average Shares Outstanding | 36,346 | 36,346 | 37,079 | 37,079 |
| Diluted Earnings Per Common Share Before Goodwill Amortization | \$4.82 | \$4.74 (B) | \$3.30 | \$2.46 (C) |

(A) Including the effects of a pre-tax, non-recurring legal charge of

\$36.0 million associated with the settlement of class action gender discrimination lawsuits.

(B) Including the effects of a pre-tax legal charge of \$2.0 million

associated with the settlement of class action gender discrimination lawsuits and \$2.9 million associated with the early retirement of debt.

(C) Including the effects of a pre-tax, non-recurring legal charge of

\$52.0 million associated with the settlement of class action gender discrimination lawsuits.

Selected Balance Sheet Data:

| (in Thousands of Dollars) | December 31, 2002 | December 31, 2001 |
|---|-------------------|-------------------|
| Cash and cash equivalent | \$85,723 | \$107,958 |
| Prepaid expenses and other assets | 42,883 | 29,846 |
| Rental merchandise, net | | |
| On rent | 510,184 | 531,627 |
| Held for rent | 120,072 | 122,074 |
| Total Assets | 1,616,052 | 1,619,920 |
| Senior debt | 249,500 | 428,000 |
| Subordinated notes payable, net | 271,830 | 274,506 |
| Total Liabilities | 773,650 | 922,632 |
| Stockholders' Equity and Redeemable Preferred Stock | 842,402 | 697,288 |

Rent-A-Center, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands of Dollars,

except per share data)

| | Three Months Ended December 31, 2002 | 2001 |
|-------------------------------------|---|-----------|
| Store Revenues | | |
| Rentals and Fees | \$472,472 | \$437,464 |
| Merchandise Sales | 27,169 | 22,293 |
| Installment Sales | 6,137 | --- |
| Other | 847 | 598 |
| | 506,625 | 460,355 |
| Franchise Revenues | | |
| Franchise Merchandise Sales | 14,209 | 17,238 |
| Royalty Income and Fees | 1,379 | 1,400 |
| | | |
| Total Revenues | 522,213 | 478,993 |
| Operating Expenses | | |
| Direct Store Expenses | | |
| Depreciation of Rental Merchandise | 101,315 | 91,911 |
| Cost of Merchandise Sold | 21,678 | 18,363 |
| Cost of Installment Sales | 3,776 | --- |
| Salaries and Other Expenses | 274,616 | 270,826 |
| Franchise Operation Expenses | | |
| Cost of Franchise Merchandise Sales | 13,587 | 16,430 |

| | | |
|---|----------|---------|
| | 414,972 | 397,530 |
| General and Administrative Expenses | 15,569 | 14,582 |
| Amortization of Intangibles | 1,846 | 7,792 |
| Class Action Litigation Settlement | --- | 36,000 |
| Total Operating Expenses | 432,387 | 455,904 |
| Operating Profit | 89,826 | 23,089 |
| Interest Expense | 15,117 | 13,659 |
| Interest Income | (660) | (224) |
| Earnings Before Income Taxes | 75,369 | 9,654 |
| Income Tax Expense | 30,151 | 5,954 |
| NET EARNINGS | 45,218 | 3,700 |
| Preferred Dividends | 1 | 3,321 |
| NET EARNINGS ALLOCABLE TO COMMON STOCKHOLDERS | \$45,217 | \$379 |
| BASIC WEIGHTED AVERAGE SHARES OUTSTANDING | 34,955 | 26,087 |
| BASIC EARNINGS PER COMMON SHARE | \$1.29 | \$0.01 |
| DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING | 35,917 | 36,965 |
| DILUTED EARNINGS PER COMMON SHARE | \$1.26 | \$0.10 |

Rent-A-Center, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands of Dollars,
except per share data)

| | Year Ended December 31, | |
|-------------------------------------|-------------------------|-------------|
| | 2002 | 2001 |
| Store Revenues | | |
| Rentals and Fees | \$1,828,534 | \$1,650,851 |
| Merchandise Sales | 115,478 | 94,733 |
| Installment Sales | 6,137 | --- |
| Other | 2,589 | 3,476 |
| | 1,952,738 | 1,749,060 |
| Franchise Revenues | | |
| Franchise Merchandise Sales | 51,514 | 53,584 |
| Royalty Income and Fees | 5,792 | 5,884 |
| Total Revenues | 2,010,044 | 1,808,528 |
| Operating Expenses | | |
| Direct Store Expenses | | |
| Depreciation of Rental Merchandise | 383,400 | 343,197 |
| Cost of Merchandise Sold | 84,628 | 72,539 |
| Cost of Installment Sales | 3,776 | --- |
| Salaries and Other Expenses | 1,070,265 | 1,019,402 |
| Franchise Operation Expenses | | |
| Cost of Franchise Merchandise Sales | 49,185 | 51,251 |
| | 1,591,254 | 1,486,389 |

| | | |
|--|---------------|---------------|
| General and Administrative Expenses | 63,296 | 55,359 |
| Amortization of Intangibles | 5,045 | 30,194 |
| Class Action Litigation Settlement | --- | 52,000 |
| Total Operating Expenses | 1,659,595 | 1,623,942 |
| Operating Profit | 350,449 | 184,586 |
| Interest Expense | 64,682 | 60,874 |
| Interest Income | (2,676) | (1,094) |
| Earnings Before Income Taxes | 288,443 | 124,806 |
| Income Tax Expense | 116,270 | 58,589 |
| NET EARNINGS | 172,173 | 66,217 |
| Preferred Dividends | 10,212 | 15,408 |
| NET EARNINGS ALLOCABLE TO COMMON STOCKHOLDERS | \$161,961 | \$50,809 |
| BASIC WEIGHTED AVERAGE SHARES OUTSTANDING | 29,383 | 25,846 |
| BASIC EARNINGS PER COMMON SHARE | \$5.51 | \$1.97 |
| DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING | 36,346 | 37,079 |
| DILUTED EARNINGS PER COMMON SHARE | \$4.74 | \$1.79 |

SOURCE Rent-A-Center, Inc.

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