



Rent-A-Center, Inc. Reports Record Second Quarter 2003 Results; Total Revenues Increase 11.8%, Same Store Sales Increase 2.7%, Diluted Earnings Per Share Rise 18.0%

July 28, 2003

PLANO, Texas--(BUSINESS WIRE)--July 28, 2003--

Board Declares a 5-for-2 Stock Split

Rent-A-Center, Inc. (the "Company") (NASDAQ/NNM:RCII), the leading rent-to-own operator in the U.S., today announced record quarterly net earnings for the period ended June 30, 2003, when excluding the non-recurring recapitalization charges discussed below.

The Company, the nation's largest rent-to-own operator, had total revenues for the quarter ended June 30, 2003 of \$553.3 million, a \$58.6 million increase from \$494.7 million for the same period in the prior year. This increase of 11.8% in revenues was primarily driven by incremental revenues generated in new and acquired stores, as well as growth in same store revenues. Same store revenues (revenues earned in stores operated for the entirety of both periods) during the second quarter of 2003 increased 2.7% above the comparable quarter of 2002.

Net earnings for the quarter ended June 30, 2003, when excluding the non-recurring recapitalization charges discussed below, were \$52.3 million, or \$1.44 per diluted share. This represented an increase of 18.0% over \$1.22 per diluted share, or net earnings of \$44.9 million, when excluding the charges discussed below, reported for the same period in the prior year. The increase in net earnings and earnings per diluted share is primarily attributable to the Company's increase in revenues, operational improvements in existing stores and a continued focus on cost control.

Net earnings for the six months ended June 30, 2003, when excluding the recapitalization charges, were \$103.3 million, or \$2.86 per diluted share, representing an increase of 18.2% over \$2.42 per diluted share, or net earnings of \$88.4 million, when excluding the charges discussed below, for the same period in the prior year. Total revenues for the six months ended June 30, 2003 increased to \$1,119.7 million from \$993.3 million in 2002, representing an increase of 12.7%. Same store revenues for the six-month period ending June 30, 2003 increased 4.2%.

The Company also announced that its Board of Directors has approved a 5 for 2 stock split on its common stock to be paid in the form of a stock dividend. Each common stockholder of record on August 15, 2003 will receive 1.5 additional shares of common stock for each share of common stock held on that date. No fractional shares will be issued in connection with the stock dividend. Each stockholder who would otherwise receive a fractional share will receive an additional share of common stock. The distribution date for the stock dividend will be August 29, 2003. As of July 25, 2003, the Company had approximately 32.8 million shares of common stock outstanding. The stock split will increase the common shares outstanding to approximately 82.1 million shares.

"We are pleased to report another quarter of strong operating and financial results," commented Mark E. Speese, the Company's Chairman and Chief Executive Officer. "We believe the stock split we are announcing today and the fact that we intend to continue to repurchase additional shares of our common stock," Speese continued, "speaks to the confidence we have in both our core business and our growth initiatives through new stores and acquisitions."

During the second quarter of 2003, the Company recorded \$27.7 million in pre-tax charges associated with its previously announced recapitalization plans. These charges reduced diluted earnings per share in the quarter by \$0.47 to the reported diluted earnings per share of \$0.97. Furthermore, during the second quarter of 2002, the Company wrote-off financing fees of approximately \$2.9 million associated with the early retirement of approximately \$128.0 million in debt, and recorded a charge of \$2.0 million relating to the settlement of its class action gender discrimination lawsuits. These charges reduced diluted earnings per share in the second quarter of 2002 by \$0.08 to \$1.14.

During the second quarter of 2003, the Company opened 18 new locations and acquired 10 additional stores while consolidating three locations into existing stores. The Company also purchased accounts from 12 additional locations during the second quarter of 2003. Since June 30, 2003, the Company has opened five additional new stores, acquired one store location and has purchased accounts from two additional locations. "We are very excited about the results of our new store opening program," commented Mitchell E. Fadel, the Company's President and Chief Operating Officer. "Our new stores are ahead of our expectations," Fadel added, "and will therefore continue to be a vital part of our continued growth initiatives."

Through the six-month period ending June 30, 2003, the Company generated cash flow from operations of approximately \$153.4 million, ending the quarter with \$248.3 million of cash on hand. In addition to growing its store base, the Company intends to utilize its available cash to redeem the remaining \$84.5 million in 11% subordinated notes and, as previously announced, repurchase additional shares of common stock.

Rent-A-Center will host a conference call to discuss the second quarter financial results and other business updates on Tuesday morning July 29, 2003 at 10:45 a.m. EDT. 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.

Rent-A-Center, Inc., headquartered in Plano, Texas currently operates 2,574 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 franchisor of 322 rent-to-own stores, 310 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, including the impact of our recapitalization plans. These statements are forward-looking, and actual results may differ materially. These statements do not include the effects of the stock split, any repurchases of common stock the Company may make or the potential impact of store acquisitions that may be completed after July 28, 2003.

THIRD QUARTER 2003 GUIDANCE:

Revenues

- The Company expects total revenues to be in the range of \$546 million to \$551 million.
- Store rental and fee revenues are expected to be between \$500 million and \$505 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 20-30 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 75% and 80% of store merchandise sales.
- Store salaries and other expenses are expected to be in the range of 54.0% and 55.5% of total store revenue.
- General and administrative expenses are expected to be between 3.0% and 3.2% of total revenue.
- Net interest expense is expected to be approximately \$11.0 million and amortization is expected to be approximately \$3.2 million.
- The effective tax rate is expected to be approximately 37.25% of pre-tax income.
- Diluted earnings per share are estimated to be in the range of \$1.42 to \$1.44 on a pre-split basis.
- Diluted shares outstanding are estimated to be between 33.6 million and 34.0 million on a pre-split basis.

FISCAL 2003 GUIDANCE:

Revenues

- The Company expects total revenues to be in the range of \$2.21 billion and \$2.24 billion.
- Store rental and fee revenues are expected to be between \$1.99 billion and \$2.02 billion.
- Total store revenues are expected to be in the range of \$2.15 billion and \$2.18 billion.
- Same store sales increases are expected to be in the 2% to 4% range.
- The Company expects to open approximately 80 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% and 55.0% of total store revenue.
- General and administrative expenses are expected to be between 3.0% and 3.2% of total revenue.
- Net interest expense is expected to be between \$45.0 million and \$48.0 million and amortization of intangibles is expected to be approximately \$12.0 million.

- The effective tax rate is expected to be approximately 38.0% of pre-tax income.
- Diluted earnings per share are estimated to be in the range of \$5.80 to \$5.90 on a pre-split basis.
- Diluted shares outstanding are estimated to be between 34.8 million and 35.2 million on a pre-split basis.

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 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; uncertainties and volatility in the credit markets; factors that may restrict the Company's ability to redeem any outstanding notes on August 15, 2003, including the Company's financial situation at that time; 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, 2002 and its quarterly report on Form 10-Q for the three month period ending March 31, 2003. 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

(In Thousands of Dollars,
except per share data)

	Three Months Ended June 30,			
	2003	2003	2002	2002
	Before Non- Recurring Charges	After Non- Recurring Charges	Before Non- Recurring Charges	After Non- Recurring Charges
	Unaudited			
Total Revenue	\$ 553,260	\$ 553,260	\$ 494,660	\$ 494,660
Operating Profit	97,238	97,238	90,240	88,240(2)
Net Earnings	52,293	35,300(1)	44,864	41,943(2)
Diluted Earnings per Common Share	\$ 1.44	\$ 0.97(1)	\$ 1.22	\$ 1.14(2)
EBITDA	\$ 111,367	\$ 111,367	\$ 100,574	\$ 98,574(2)
Reconciliation to EBITDA:				
Reported earnings before income taxes	85,376	57,628	75,388	70,479
Add back:				
Non-recurring financing costs	--	27,748	--	2,909
Interest expense, net	11,862	11,862	14,852	14,852
Depreciation of property assets	10,833	10,833	9,412	9,412
Amortization of intangibles	3,296	3,296	922	922
EBITDA	\$ 111,367	\$ 111,367	\$ 100,574	\$ 98,574(2)

Six Months Ended June 30,

	2003	2003	2002	2002
	Before Non- Recurring Charges	After Non- Recurring Charges	Before Non- Recurring Charges	After Non- Recurring Charges
----- Unaudited -----				
Total Revenue	\$1,119,666	\$1,119,666	\$ 993,270	\$ 993,270
Operating Profit	193,529	193,529	178,536	176,536(2)
Net Earnings	103,252	86,259(1)	88,427	85,506(2)
Diluted Earnings per Common Share	\$ 2.86	\$2.34(1)	\$2.42	\$2.34(2)
EBITDA	\$ 220,651	\$220,651	\$ 199,056	\$ 197,056(2)

Reconciliation to
EBITDA:

Reported earnings before income taxes	168,915	141,167	148,609	143,700
Add back:				
Non-recurring financing costs	--	27,748	--	2,909
Interest expense, net	24,614	24,614	29,927	29,927
Depreciation of property assets	20,953	20,953	18,878	18,878
Amortization of intangibles	6,169	6,169	1,642	1,642
EBITDA	\$ 220,651	\$220,651	\$199,056	\$197,056(2)

(1) Including the effects of \$27.7 million in pre-tax financing costs associated with refinancing the company's capital structure. These charges reduced diluted earnings per share in the second quarter of 2003 by \$0.47 from \$1.44 per diluted share to \$0.97.

(2) 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. These charges reduced diluted earnings per share in the second quarter of 2002 by \$0.08 from \$1.22 per diluted share to \$1.14.

Selected Balance Sheet Data:

(in Thousands of Dollars)

	June 30, 2003	June 30, 2002
Cash and cash equivalents	\$ 248,250	\$93,824
Prepaid expenses and other assets	34,726	31,335
Rental merchandise, net		
On rent	530,985	517,500
Held for rent	143,415	131,705
Total Assets	1,870,277	1,604,597
Senior debt	400,000	300,000
Subordinated notes payable	384,455	274,543
Total Liabilities	1,057,340	830,342

Stockholders' Equity and Redeemable Preferred Stock	812,937	774,255
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Rent-A-Center, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF EARNINGS

(In Thousands of Dollars,
except per share data)

	Three Months Ended June 30,	
	2003	2002
	Unaudited	
Store Revenue		
Rentals and Fees	\$ 504,352	\$456,149
Merchandise Sales	32,528	23,994
Installment Sales	4,745	--
Other	812	567
	-----	-----
	542,437	480,710
Franchise Revenue		
Franchise Merchandise Sales	9,261	12,486
Royalty Income and Fees	1,562	1,464
	-----	-----
Total Revenue	553,260	494,660
Operating Expenses		
Direct Store Expenses		
Depreciation of Rental Merchandise	109,341	94,354
Cost of Merchandise Sold	24,235	17,497
Cost of Installment Sales	2,090	--
Salaries and Other Expenses	291,726	264,478
Franchise Operation Expenses		
Cost of Franchise Merchandise Sales	8,946	11,884
	-----	-----
	436,338	388,213
General and Administrative Expenses	16,388	17,285
Amortization of Intangibles	3,296	922
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Total Operating Expenses	456,022	406,420
Operating Profit	97,238	88,240
Non-Recurring Finance Charge	27,748	2,909
Interest Income	(1,208)	(705)
Interest Expense	13,070	15,557
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Earnings before Income Taxes	57,628	70,479
Income Tax Expense	22,328	28,536
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NET EARNINGS	35,300	41,943
Preferred Dividends	--	3,898
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Net earnings allocable to common stockholders	\$ 35,300	\$38,045
	=====	=====
BASIC WEIGHTED AVERAGE SHARES	34,999	25,708
	=====	=====
BASIC EARNINGS PER COMMON SHARE	\$ 1.01	\$1.48
	=====	=====
DILUTED WEIGHTED AVERAGE SHARES	36,307	36,715
	=====	=====
DILUTED EARNINGS PER COMMON SHARE	\$0.97	\$1.14
	=====	=====

Rent-A-Center, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF EARNINGS

(In Thousands of Dollars,
except per share data)

Six Months Ended June 30,

	2003	2002
	----- Unaudited	
Store Revenue		
Rentals and Fees	\$ 997,771	\$899,854
Merchandise Sales	85,192	63,599
Installment Sales	10,790	--
Other	1,527	1,181
	-----	-----
	1,095,280	964,634
Franchise Revenue		
Franchise Merchandise Sales	21,333	25,739
Royalty Income and Fees	3,053	2,897
	-----	-----
Total Revenue	1,119,666	993,270
Operating Expenses		
Direct Store Expenses		
Depreciation of Rental Merchandise	216,001	186,577
Cost of Merchandise Sold	60,783	44,479
Cost of Installment Sales	5,321	--
Salaries and Other Expenses	584,222	527,097
Franchise Operation Expenses		
Cost of Franchise Merchandise Sales	20,497	24,537
	-----	-----
	886,824	782,690
General and Administrative Expenses	33,144	32,402
Amortization of Intangibles	6,169	1,642
	-----	-----
Total Operating Expenses	926,137	816,734
	-----	-----
Operating Profit	193,529	176,536
Non-Recurring Finance Charge	27,748	2,909
Interest Income	(1,979)	(1,428)
Interest Expense	26,593	31,355
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Earnings before Income Taxes	141,167	143,700
Income Tax Expense	54,908	58,194
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NET EARNINGS	86,259	85,506
Preferred Dividends	--	8,890
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Net earnings allocable to common stockholders	\$86,259	\$76,616
	=====	=====
BASIC WEIGHTED AVERAGE SHARES	34,948	25,111
	=====	=====
BASIC EARNINGS PER COMMON SHARE	\$2.47	\$3.05
	=====	=====
DILUTED WEIGHTED AVERAGE SHARES	36,121	36,518
	=====	=====
DILUTED EARNINGS PER COMMON SHARE	\$2.39	\$2.34
	=====	=====

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SOURCE: Rent-A-Center, Inc.