



Rent-A-Center, Inc. Reports Third Quarter 2003 Results; Diluted Earnings per Share Rise 23.9%; Same Store Sales Increase 3.4%

October 27, 2003

PLANO, Texas--(BUSINESS WIRE)--Oct. 27, 2003--

Board Approves New \$100 Million Share Repurchase Program

Rent-A-Center, Inc. (the "Company") (Nasdaq/NNM:RCII), the leading rent-to-own operator in the U.S., today announced revenues and net earnings for the quarter ended September 30, 2003.

The Company, the nation's largest rent-to-own operator, reported net earnings for the quarter ended September 30, 2003 of \$48.5 million, or \$0.57 per diluted share, when excluding the non-recurring finance charge of approximately \$7.5 million associated with finalizing the Company's recapitalization program, an increase of 23.9% from the same quarter of the prior year. Total revenues for the quarter ended September 30, 2003 increased to \$549.8 million as compared to \$494.6 million for the same quarter of the prior year. Incremental revenues generated in new and acquired stores, as well as growth in same store revenues primarily drove this 11.2% increase. Same store revenues during the third quarter of 2003 increased 3.4% above the comparable quarter of 2002. The Company's quarterly growth in net earnings resulted primarily from the increase of revenues as outlined above, as well as the benefits associated with the Company's recapitalization program.

Net earnings for the nine months ended September 30, 2003 were \$151.7 million, or \$1.72 per diluted share, when excluding the non-recurring finance charge of approximately \$35.3 million associated with the recapitalization program, an increase of 19.5% over the net earnings of \$127.0 million, or \$1.39 per diluted share for the same period in the prior year. Total revenues for the nine months ended September 30, 2003 increased to \$1.669 billion from \$1.488 billion in 2002, representing an increase of 12.2%. Same store revenues for the nine-month period ending September 30, 2003 increased 3.9%.

"We are pleased to be reporting earnings within our expectations," commented Mark E. Speese, the Company's Chairman and Chief Executive Officer, "and are excited about our opportunities in 2004. While the child tax credit refunds led to increased payouts and lower units on rent in August and September," continued Mr. Speese, "the fourth quarter has begun with positive momentum, which we believe positions us for our continued growth."

During the third quarter of 2003, the Company opened 27 new store locations and acquired 13 stores as well as accounts from nine additional locations. Through the nine month period ending September 30, 2003, the Company opened 65 new stores, acquired a total of 143 others as well as accounts from 199 additional locations while consolidating 15 stores into existing locations. To date through the fourth quarter, the Company has opened three new store locations, acquired two stores and accounts from two additional locations.

The Company's cash flow from operations was \$117.2 million for the third quarter of 2003 and \$300.6 million for the nine months ended September 30, 2003. The Company also announced that its board of directors has authorized a new \$100 million share repurchase program. "We continue to believe that the growth potential of this company and the industry as a whole is significant," Speese commented, "and that our strong recurring cash flow continues to allow us to pursue our growth initiatives, as well as to think and act strategically in managing our capital structure for the benefit of all of our stakeholders."

Rent-A-Center will host a conference call to discuss the third quarter financial results on Tuesday morning, October 28, 2003, at 10:45 a.m. EST. 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 2,605 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 327 rent-to-own stores, 315 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 share repurchases that may be completed after October 27, 2003.

FOURTH QUARTER 2003 GUIDANCE:

Revenues

- The Company expects total revenues to be in the range of \$555 million to \$560 million.
- Store rental and fee revenues are expected to be between \$500 million and \$504 million.
- Total store revenues are expected to be in the range of \$540 million to \$545 million.
- Same store sales increases are expected to be in the 1% to 3% 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 55.0% to 56.0% 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 approximately \$9.0 million and amortization of intangibles is expected to be approximately \$3.0 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 \$0.60 to \$0.61.
- Diluted shares outstanding are estimated to be between 83.6 million and 84.4 million.

FISCAL 2004 GUIDANCE:

Revenues

- The Company expects total revenues to be in the range of \$2.300 billion and \$2.330 billion.
- Store rental and fee revenues are expected to be between \$2.065 billion and \$2.090 billion.
- Total store revenues are expected to be in the range of \$2.250 billion and \$2.278 billion.
- Same store sales increases are expected to be in the 1% to 3% range.
- The Company expects to open approximately 80 to 120 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% to 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 between \$34.0 million and \$38.0 million and amortization of intangibles is expected to be approximately \$6.5 million.
- The effective tax rate is expected to be between 37.5% and 38.0% of pre-tax income.
- Diluted earnings per share are estimated to be in the range of \$2.62 to \$2.70.
- Diluted shares outstanding are estimated to be between 84.0 million and 86.0 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 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; 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, its quarterly report on Form 10-Q for the quarter ended March 31, 2003 and its quarterly report on Form 10-Q for the quarter ended June 30, 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 September 30,		
	2003	2003 (1)	2002
	Before Non- Recurring Finance Charge	After Non- Recurring Finance Charge	
	----- Unaudited -----		
Total Revenue	\$549,825	\$549,825	\$494,561
Operating Profit	87,502	87,502	84,087
Net Earnings	48,469	43,738	41,449
Diluted Earnings per Common Share	\$0.57	\$0.52	\$0.46
EBITDA	\$101,801	\$101,801	\$95,292

Reconciliation to EBITDA:

Reported earnings before income taxes	77,242	69,730	69,374
Add back:			

Non-recurring financing charge	--	7,512	--
Interest expense, net	10,260	10,260	14,713
Depreciation of property assets	11,116	11,116	9,647
Amortization of intangibles	3,183	3,183	1,557

EBITDA	\$101,801	\$101,801	\$95,291
--------	-----------	-----------	----------

Nine Months Ended September 30,

	2003	2003 (2)	2002
	Before Non-Recurring Finance Charge	After Non-Recurring Finance Charge	
	Unaudited		
Total Revenue	\$1,669,491	\$1,669,491	\$1,487,831
Operating Profit	281,031	281,031	260,623
Net Earnings	151,721	129,997	126,955
Diluted Earnings per Common Share	\$1.72	\$1.47	\$1.39
EBITDA	\$322,451	\$322,451	\$292,347

Reconciliation to EBITDA:

Reported earnings before income taxes	246,157	210,897	213,074
Add back:			
Non-recurring financing charge	--	35,260	--
Interest expense, net	34,874	34,874	47,549
Depreciation of property assets	32,068	32,068	28,525
Amortization of intangibles	9,352	9,352	3,199
EBITDA	\$322,451	\$322,451	\$292,347

(1) Including the effects of a pre-tax finance charge of \$7.5 million associated with the recapitalization of the Company. These charges reduced diluted earnings per share in the third quarter of 2003 by \$0.05 from \$0.57 per diluted share to \$0.52.

(2) Including the effects of a pre-tax finance charge of \$35.3 million associated with the recapitalization of the Company. These charges reduced diluted earnings per share for the nine month period ending September 30, 2003 by \$0.25 from \$1.72 per diluted share to \$1.47.

Selected Balance Sheet Data: (in Thousands of Dollars)

	September 30, 2003	September 30, 2002
Cash and cash equivalents	\$155,974	\$110,261
Prepaid expenses and other assets	29,879	28,043
Rental merchandise, net		
On rent	508,183	505,397
Held for rent	133,732	119,197
Total Assets	1,748,721	1,611,058
Senior debt	399,000	260,000
Subordinated notes payable	300,000	273,312

Total Liabilities	986,248	801,674
Stockholders' Equity	762,473	809,384

Rent-A-Center, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF EARNINGS

(In Thousands of Dollars, except per share data) Three Months Ended
September 30,

	2003	2002
	Unaudited	
Store Revenue		
Rentals and Fees	\$497,881	\$456,208
Merchandise Sales	34,453	24,710
Installment Sales	4,633	--
Other	697	561
	-----	-----
	537,664	481,479
Franchise Revenue		
Franchise Merchandise Sales	10,754	11,566
Royalty Income and Fees	1,407	1,516
	-----	-----
Total Revenue	549,825	494,561
Operating Expenses		
Direct Store Expenses		
Depreciation of Rental Merchandise	107,777	95,508
Cost of Merchandise Sold	25,901	18,471
Cost of Installment Sales	2,120	--
Salaries and Other Expenses	296,427	268,552
Franchise Operation Expenses		
Cost of Franchise Merchandise Sales	10,298	11,061
	-----	-----
	442,523	393,592
General and Administrative Expenses	16,617	15,325
Amortization of Intangibles	3,183	1,557
	-----	-----
Total Operating Expenses	462,323	410,474
	-----	-----
Operating Profit	87,502	84,087
Non-Recurring Finance Charge	7,512	--
Interest Expense	11,565	15,301
Interest Income	(1,305)	(588)
	-----	-----
Earnings Before Income Taxes	69,730	69,374
Income Tax Expense	25,992	27,925
	-----	-----
NET EARNINGS	43,738	41,449
Preferred Dividends	--	1,321
	-----	-----

Net earnings allocable to common stockholders	\$43,738	\$40,128
	=====	=====
BASIC WEIGHTED AVERAGE SHARES	81,253	80,888
	=====	=====
BASIC EARNINGS PER COMMON SHARE	\$0.54	\$0.50
	=====	=====
DILUTED WEIGHTED AVERAGE SHARES	84,406	91,078
	=====	=====
DILUTED EARNINGS PER COMMON SHARE	\$0.52	\$0.46
	=====	=====

Rent-A-Center, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF EARNINGS

(In Thousands of Dollars, except per share data)	Nine Months Ended September 30,	
	2003	2002

	Unaudited	

Store Revenue		
Rentals and Fees	\$1,495,652	\$1,356,062
Merchandise Sales	119,645	88,309
Installment Sales	15,423	--
Other	2,224	1,742
	-----	-----
	1,632,944	1,446,113

Franchise Revenue		
Franchise Merchandise Sales	32,087	37,305
Royalty Income and Fees	4,460	4,413
	-----	-----
Total Revenue	1,669,491	1,487,831

Operating Expenses		
Direct Store Expenses		
Depreciation of Rental Merchandise	323,778	282,085
Cost of Merchandise Sold	86,684	62,950
Cost of Installment Sales	7,441	--
Salaries and Other Expenses	880,649	795,649
Franchise Operation Expenses		
Cost of Franchise Merchandise Sales	30,795	35,598
	-----	-----
	1,329,347	1,176,282

General and Administrative Expenses	49,761	47,727
Amortization of Intangibles	9,352	3,199
	-----	-----
Total Operating Expenses	1,388,460	1,227,208

Operating Profit	281,031	260,623

Non-Recurring Finance Charge	35,260	--

Interest Expense	38,158	49,565
Interest Income	(3,284)	(2,016)
	-----	-----
Earnings Before Income Taxes	210,897	213,074
Income Tax Expense	80,900	86,119
	-----	-----
NET EARNINGS	129,997	126,955
Preferred Dividends	--	10,211
	-----	-----
Net earnings allocable to common stockholders	\$129,997	\$116,744
	=====	=====
BASIC WEIGHTED AVERAGE SHARES	85,331	68,815
	=====	=====
BASIC EARNINGS PER COMMON SHARE	\$1.52	\$1.70
	=====	=====
DILUTED WEIGHTED AVERAGE SHARES	88,337	91,223
	=====	=====
DILUTED EARNINGS PER COMMON SHARE	\$1.47	\$1.39
	=====	=====

CONTACT: Rent-A-Center, Inc., Plano
David E. Carpenter, 972-801-1214
dcarpenter@racenter.com
or
Robert D. Davis, 972-801-1204
rdavis@racenter.com
or
Mitchell E. Fadel, 972-801-1114
mfadel@racenter.com
or
Mark E. Speese, 972-801-1199
mspeese@racenter.com

SOURCE: Rent-A-Center, Inc.