

# Investor Presentation

Fourth Quarter and Year End 2013

# Safe Harbor

*This presentation contains forward-looking statements that involve risks and uncertainties. Such forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "could," "estimate," "should," "anticipate," or "believe," or the negative thereof or variations thereon or similar terminology. The Company believes that the expectations reflected in such forward-looking statements are accurate. However, there can be no assurance that such expectations will occur. The Company's actual future performance could differ materially from such statements. Factors that could cause or contribute to such differences include, but are not limited to: the general strength of the economy and other economic conditions affecting consumer preferences and spending; economic pressures, such as high fuel costs, affecting the disposable income available to the Company's current and potential customers; changes in the unemployment rate; difficulties encountered in improving the financial performance of the Core U.S. segment or in executing the Company's growth initiatives; the Company's ability to develop and successfully implement virtual or electronic commerce capabilities; the Company's ability to identify and successfully market products and services that appeal to its customer demographic; consumer preferences and perceptions of the Company's brand; uncertainties regarding the ability to open new locations; the Company's ability to acquire additional stores or customer accounts on favorable terms; the Company's ability to control costs and increase profitability; the Company's ability to enhance the performance of acquired stores; the Company's ability to retain the revenue associated with acquired customer accounts; the Company's ability to enter into new and collect on its rental or lease purchase agreements; the passage of legislation adversely affecting the rent-to-own industry; the Company's compliance with applicable statutes or regulations governing its transactions; changes in interest rates; adverse changes in the economic conditions of the industries, countries or markets that the Company serves; the Company's available cash flow; information technology and data security costs; our ability to protect the integrity and security of individually identifiable data of our customers and employee; the impact of any breaches in data security or other disturbances to our information technology and other networks; changes in the Company's stock price, the number of shares of common stock that it may or may not repurchase, and future dividends, if any; changes in estimates relating to self-insurance liabilities and income tax and litigation reserves; changes in the Company's effective tax rate; fluctuations in foreign currency exchange rates; the Company's ability to maintain an effective system of internal controls; the resolution of the Company's litigation; and the other risks detailed from time to time in the Company's SEC reports, including but not limited to, its annual report on Form 10-K for the year ended December 31, 2013. 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 today is...



The market leader in a growing industry with compelling fundamentals



Focused on providing affordable, high-quality products to our customers which improve their standard of living



Advantaged business model that delivers superior profitability



Refining our capabilities to enable a better customer experience in the Core business



Executing on a set of significant growth initiatives within the AcceptanceNow and International businesses



A proven track record of returning capital to shareholders



Led by a seasoned management team with deep rent-to-own experience

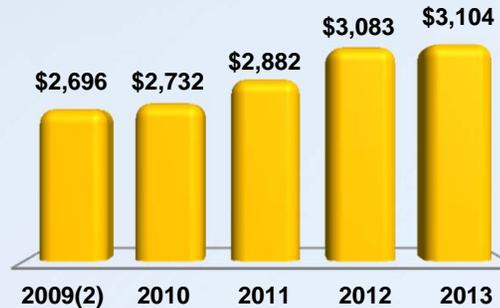


# Rent-A-Center snapshot

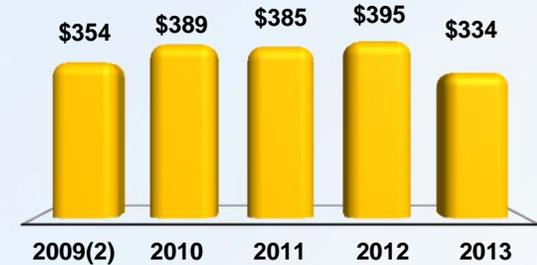
## Rent-A-Center overview

- **Rent-a-Center (NYSE: RCII) is the Largest rent-to-own (“RTO”) operator in the U.S.**
  - 46% Market share based on North American store count <sup>(1)</sup>
  - 4,665 locations across the US, Mexico, Canada and Puerto Rico
    - 2,992 Core U.S. locations
    - 1,325 Kiosks at destination retailers
    - 179 Franchised stores
    - 151 locations in Mexico
    - 18 locations in Canada
- Offers high quality, durable products such as major consumer electronics, appliances, computers, furniture and accessories
  - Flexible rental purchase agreements
  - Generally allows customers to obtain ownership at the conclusion of an agreed upon rental term

## Revenue (\$mm)

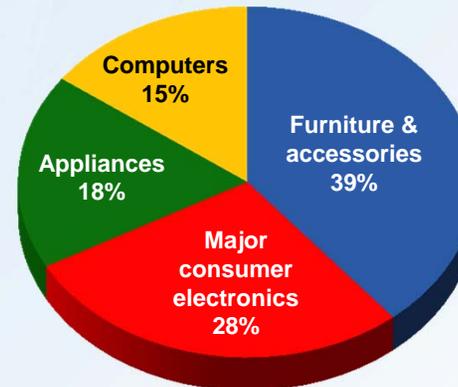


## EBITDA (\$mm)



## Product mix

December 31, 2013



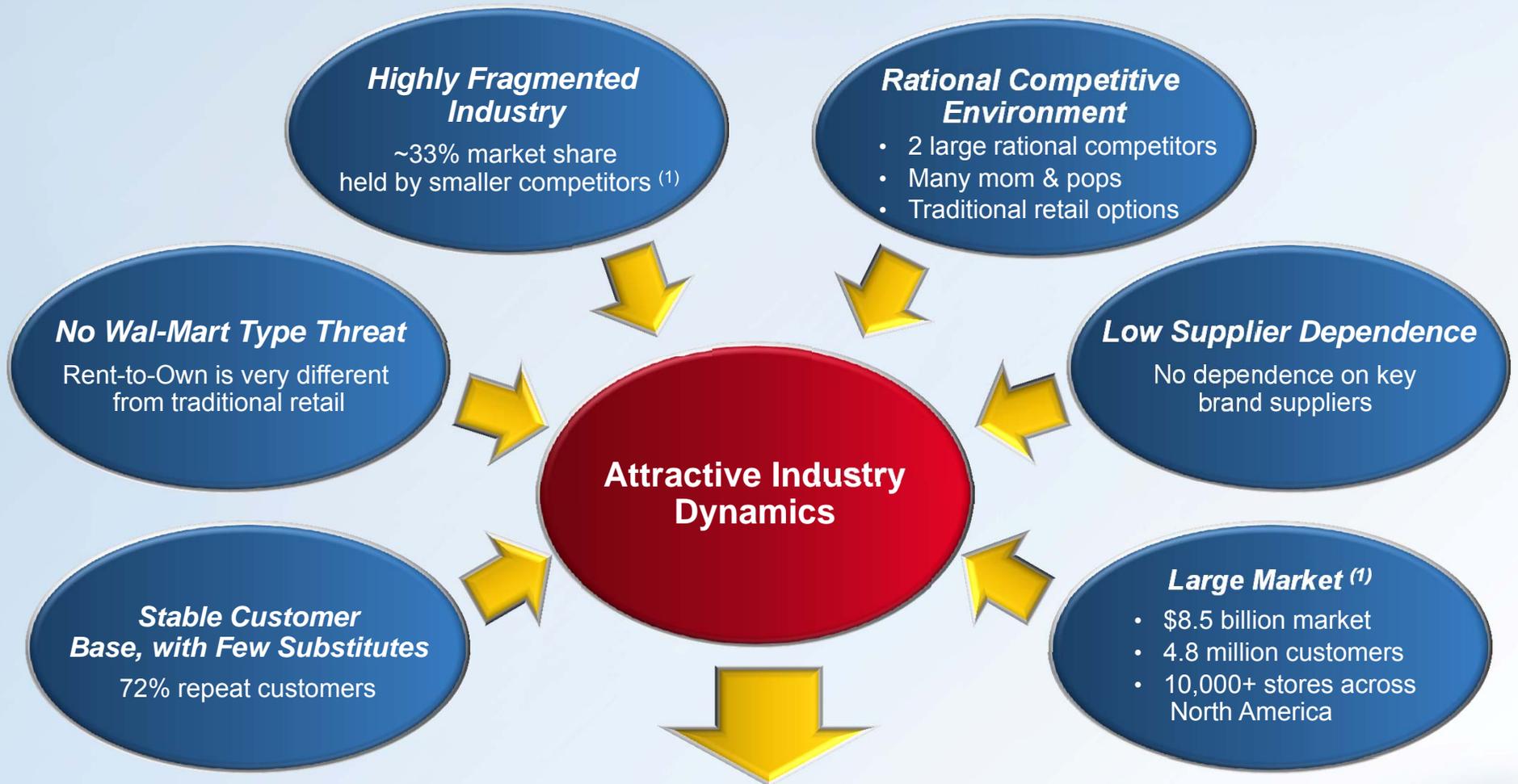
## Key vendor relationships



1) APRO (Association of Progressive Rental Organizations) as of October 2013  
 2) Excludes the sale of DPI



# The RTO industry offers attractive fundamentals...



**RTO agreements yield stable and recurring revenue streams**

(1) APRO (Association of Progressive Rental Organizations) as October 2013



# ...including stable, robust market growth

## Key industry facts

- \$8.5 billion industry
- 10,000+ stores across the United States, Mexico and Canada
- Serves an estimated 4.8 million households
- RTO industry revenue increased by a 4.2% CAGR from 1999-2012
- National industry with established, constructive regulatory environment

## RTO industry revenue (billions)

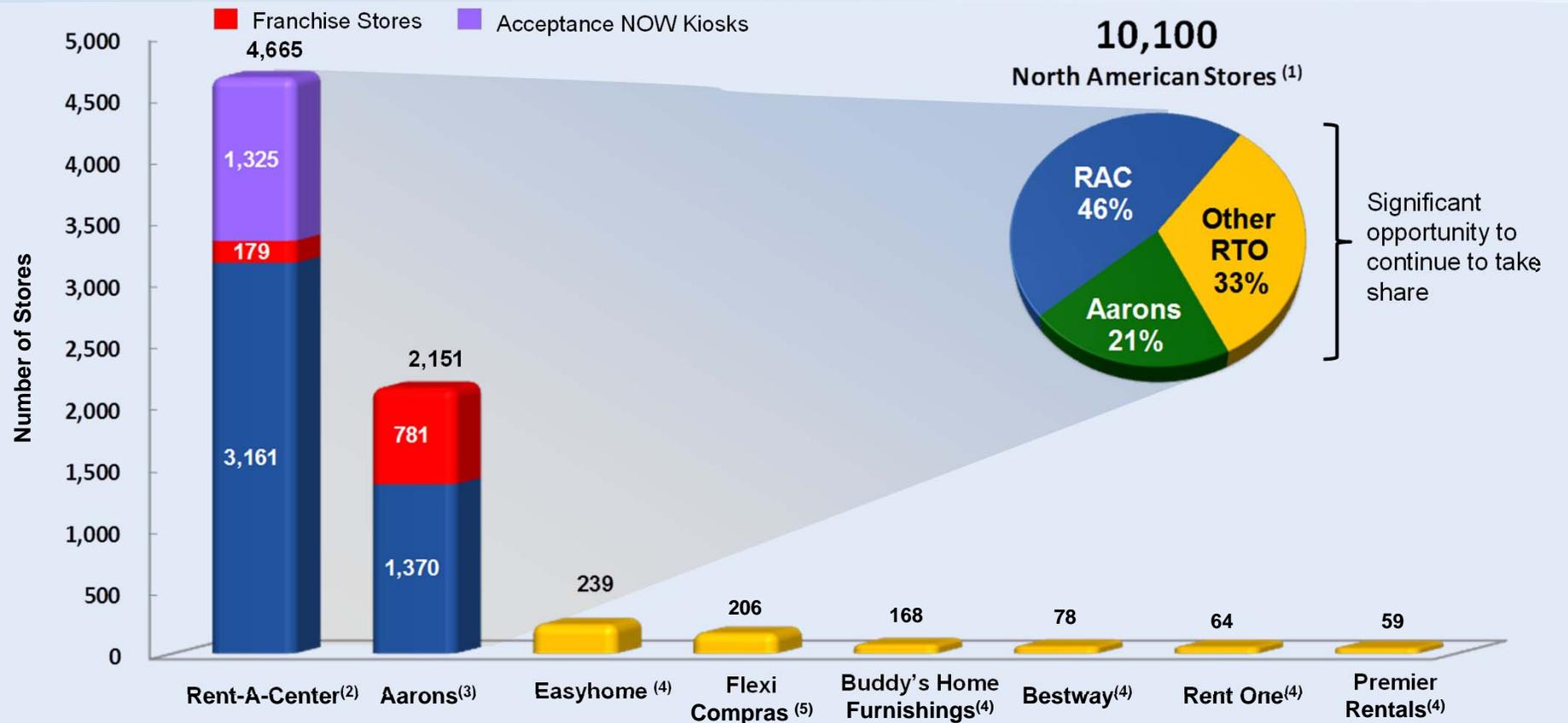


(1) APRO (Association of Progressive Rental Organizations) as October 2013



# Rent-A-Center is the market leader

Rent-A-Center's current store base is over 5x the #3-8 competitors combined...



...giving us the scale to address an ever-expanding sub prime core customer base which makes up 34% of the U.S. population <sup>(6)</sup>

Notes:

- (1) APRO (Association of Progressive Rental Organizations) as of October 2013
- (2) Company data as of December 31, 2013
- (3) Company press release as of February 7, 2014
- (4) AGG data as of December 31, 2013
- (5) Winding down operations
- (6) FICO, October 2013; subprime defined as FICO score < 649



# Strategic Priorities

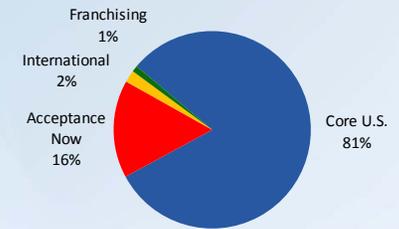


# Strategic priorities: Three-tiered strategy



# Segment overview

2013 Revenue



## Core U.S.

### Domestic company-owned RTO operations:

- Offering high-quality products to consumers under flexible rental-purchase agreements
- 2,992 stores in the US and Puerto Rico
- Largest segment with 81% of total FY '13 revenues

## Acceptance NOW

### RTO kiosks placed inside traditional retail stores:

- Alternative transaction for retail partners' customers who can't buy on credit
- 1,325 kiosks located within retail partners' locations
- Rapidly growing segment with 16% of total FY '13 revenues

## International

### International company-owned RTO operations:

- 151 stores in Mexico
- 18 stores in Canada
- Expanding into Mexico City and other Latin America countries
- Rapidly growing segment with 2% of total FY '13 revenues

## Franchising

### Franchisor of RTO stores:

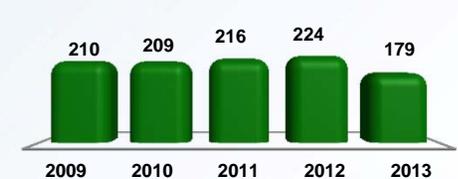
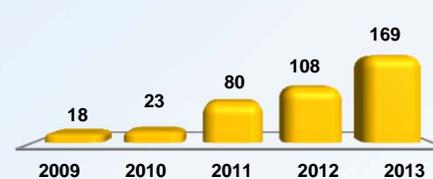
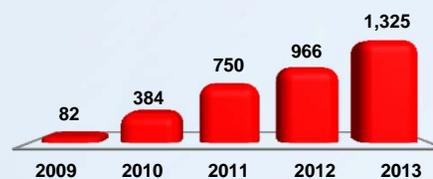
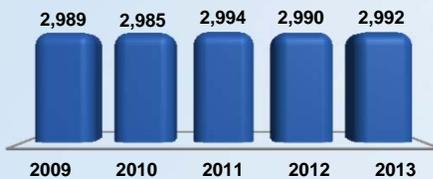
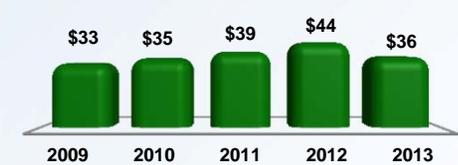
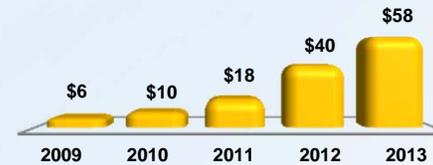
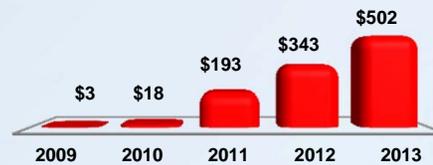
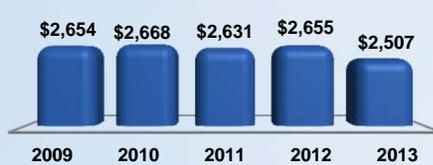
- Sells merchandise to franchisors who in turn rent it out to public
- Earn royalties of approx. 2-6% of revenues
- 179 stores in U.S.
- 1% of total FY '13 revenues

Segment Overview

Revenues (\$mm)

Locations

Brands





# Core Overview

## Business Imperatives

- **Develop a culture focused on quality sales**
  - Intend to increase ticket compared to Q4 2013
  - Expect number of agreements to be approximately flat versus 2013
- **Drive improvements in store operational excellence**
  - Reduce free time and price overrides
  - Increased focus on maximizing collections
- **Improve our operations talent**
  - Upgrade store coworker training through the utilization of the Center's of Excellence
  - Upgrade multi-unit leadership talent
- **Expect low single digit revenue decline, an improvement versus 2013**
- **Develop, support and ensure seamless execution on our critical success factors**



# Optimize and grow a maturing Core U.S. Rent-to-Own business



## Customers

## Differentiated Positioning

**Meet Customers where they are**

- Physical
- Online
  - Direct
  - Indirect

*RAC E-Commerce*

**Get them exactly what they want**

- Right product
- Right place
- Right price

*Supply Chain Optimization  
Pricing Strategy*

**Provide world-class service**

- Talent
- Training

*Acquire & develop  
the best talent in  
the industry*



# Acceptance NOW continues to expand our addressable market



## Description

- **RAC Kiosks inside traditional retailers**
  - Customers turned down for credit are referred to Acceptance NOW associates
  - Retailers “save the sale” (~50% conversion rate)
  - Customers likely outside our traditional customer base
- Low initial investment as inventory is not purchased until the sale is made
- Keep rate 70% to 80%
- Grow customer base and increase market penetration
- 1,325 locations as of December 31, 2013
- Introducing virtual kiosks in 2014

## Capturing a new customer base

Credit scores:	< 520	521–580	> 581
RTO	50%	27%	23%
	41%	29%	30%

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

## Illustrative new store economics summary

### New Store Economics

- Year 1 Investment of \$350K (80% for inventory)
- Profitable within ~7 months
- Break even within year 2
- IRR of ~85% (~50% after allocations)



Despite growth to date, Acceptance NOW remains relatively under penetrated



# Mexico represents significant, untapped growth



## Mexico

- 111 million total population with over 50% falling into our core customer demographic
- Potential market of 1,000 stores
- Met our new store opening goal with 63 stores in 2013, ending with 151 stores
- Expect to open 30 new stores in 2014

## Highlights

- Mexico stores achieved four-wall breakeven for the first time in December
- \$1 billion revenue opportunity
- Same Store Sales
  - Q4 2013 – over 31%
  - 2013 – over 47%
- Opening locations in Mexico City in 2014

## Illustrative new store economics summary

### New Store Economics

- Year 1 Investment of \$610K (50% for inventory)
- Profitable within ~12 months
- Break even within year 3
- IRR of ~45% (~30% after allocations)



*We are assessing markets across the world for additional international growth*





# Our growth initiatives will drive our performance

Our growth initiatives are meaningful contributors today...



...and well positioned for sustained, profitable growth in the future



- ✓ Virtual kiosks
- ✓ Expanded footprint
- ✓ Improved sales conversion



- ✓ Ability to quadruple footprint
- ✓ Mexico City
- ✓ Platform for broader Latin America exposure



# Financial Highlights



# FY 2013 Rent-A-Center operating results

## 2013 Financial Metrics

(\$ in MM)	2013 <sup>(1)</sup>	2012 <sup>(1)</sup>	Δ YoY
Core US	\$2,507	\$2,655	(5.6%)
Acceptance NOW	502	343	46.2%
International	58	40	45.3%
Franchising	36	44	(17.2%)
<b>Total Revenue</b>	<b>\$3,104</b>	<b>\$3,083</b>	<b>0.7%</b>
<b>Same Store Sales</b>	<b>(2.0%)</b>	<b>1.4%</b>	<b>(343 bps)</b>
Core US	\$1,810	\$1,905	(5.0%)
Acceptance NOW	291	195	49.4%
International	42	28	50.5%
Franchising	7	7	(3.4%)
<b>Total Gross Profit</b>	<b>\$2,149</b>	<b>\$2,134</b>	<b>0.7%</b>
<b>Gross Profit Margin</b>	<b>69.2%</b>	<b>69.2%</b>	<b>+ 2 bps</b>
Core US	\$206	\$319	(35.4%)
Acceptance NOW	67	25	163.7%
International	(28)	(31)	(8.0%)
Franchising	2	2	(20.3%)
<b>Operating Profit</b>	<b>\$246</b>	<b>\$316</b>	<b>(22.0%)</b>
<b>Operating Profit Margin</b>	<b>7.9%</b>	<b>10.2%</b>	<b>(231 bps)</b>
<b>EBITDA</b>	<b>\$334</b>	<b>\$395</b>	<b>(15.4%)</b>
<b>EBITDA Margin</b>	<b>10.8%</b>	<b>12.8%</b>	<b>(205 bps)</b>
CapEx	\$108	\$102	5.8%

(1) Includes on-rent reserve adjustment

## 2013 Key Results

- Total revenues for the year increased ~ \$21mm, or 0.7%
  - Revenue increase primarily driven by both the Acceptance NOW and International segments, partially offset by decreases in Core U.S. segment
  - Increased year-over-year number of rental agreements offset by a lower realized average revenue per agreement
- Same store sales decrease primarily attributable to the Core U.S. segment, primarily offset by increases in both the Acceptance NOW and International segments
- Although gross profit margins remained flat, gross profit dollars increased \$15mm, or 0.7%
- Operating profit decreased approximately \$70mm, or 22.2%, primarily due to the Core U.S. segment, partially offset by the Acceptance NOW segment
  - Unexpected operating expenses, including those related to health insurance, severance and on-rent merchandise reserves and losses also negatively impacted the year
- Opened an additional 411 Acceptance NOW kiosks in the U.S. and 63 rent-to-own stores in Mexico



# Maintain a sound balance sheet as a result of our prudent approach to leverage

## 2013 Balance Sheet

(\$ in millions)	Proforma 2013	% of Book Capital	2013	% of Book Capital	2012	% of Book Capital
<b>Cash</b>	\$37		\$42		\$61	
<b>Senior Credit Facilities</b>	\$350	15.5%	\$348	15.4%	\$388	18.0%
<b>Intrust Revolver</b>	\$18	0.8%	\$18	0.8%	\$0	0.0%
<b>Senior Unsecured Notes</b>	\$550	24.3%	\$550	24.3%	\$300	14.0%
<b>Total Debt</b>	\$918	40.6%	\$916	40.5%	\$688	32.0%
<b>Shareholder's Equity<sup>(1)</sup></b>	\$1,344	59.4%	\$1,344	59.4%	\$1,464	68.0%
<b>Total Capitalization</b>	\$2,262	100.0%	\$2,260	100.0%	\$2,152	100.0%
<b>Net Debt/Total Capitalization</b>		39.0%		38.7%		29.1%

Q4'13 Consolidated Leverage Ratio 2.64x (per bank covenant, maximum leverage of 3.25x)

Notes:

(1) Includes on-rent reserve adjustment



**Despite challenging times, we believe that our story will show significant financial results from 2014 to 2018**

**Revenue Growth**

**4 - 7%**

**EBITDA Growth**

**7 - 10%**

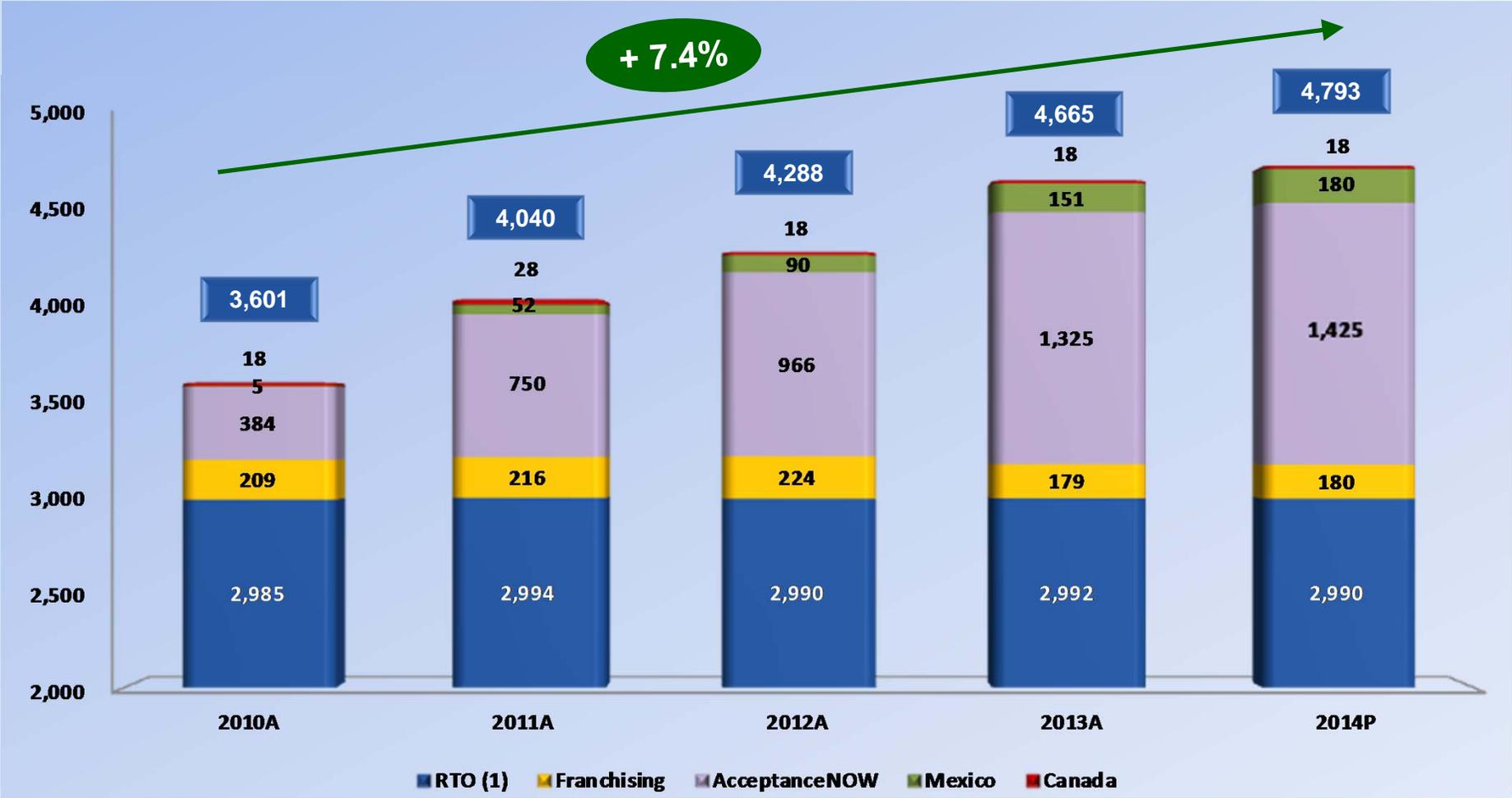
**Free Cash Flow**

**\$100mm+**



# Continuing strong store growth will increase our already substantial customer base

## Store Counts



Note: (1) Includes Get-It-Now / Home Choice stores



# Our 2014 forecast includes mid single-digit revenue growth

## 2014 Guidance <sup>(1)</sup>

(\$ in millions, except EPS)	2011 <b>Actual<sup>(2)</sup></b>	2012 <b>Actuals<sup>(2)</sup></b>	2013 <b>Actuals<sup>(2)</sup></b>	2014 <b>Midpoint</b>
<b>Total Revenue</b>	\$2,882	\$3,083	\$3,104	\$3,290
<b>YoY Growth %</b>	5.5%	7.0%	0.7%	<b>6.0%</b>
<b>Same Store Sales</b>	0.8%	1.4%	(2.0%)	<b>4.3%</b>
<b>Total Gross Profit</b>	\$2,053	\$2,134	\$2,149	\$2,270
<b>Gross Profit Margin</b>	71.2%	69.2%	69.2%	69.0%
<b>Operating Profit</b>	\$315	\$316	\$246	\$250
<b>Operating Profit Margin</b>	10.9%	10.2%	7.9%	7.6%
<b>Diluted EPS</b>	\$2.89	\$3.06	\$2.32	\$2.40
<b>YoY Growth %</b>	3.6%	5.9%	(24.2%)	<b>3.4%</b>
<b>EBITDA<sup>(3)</sup></b>	\$385	\$395	\$334	\$335
<b>EBITDA Margin</b>	13.4%	12.8%	10.8%	10.2%
<b>CapEx</b>	\$133	\$102	\$108	\$100

Notes:

- 1) Per 01/27/2014 press release
- 2) Includes on-rent reserve adjustment
- 3) Reconciliation is available in the appendix at the end of the presentation



# Free Cash Flow will be temporarily negative in 2014 due to the reversal of our deferred tax liability

## Reconciliation of EBITDA to Free Cash Flow 2014 Estimate (\$mm)



## Reconciliation of Operating Cash to Free Cash Flow 2014 Estimate (\$mm)



# We will continue to return value to shareholders in a number of ways

Re-invest in our business

Opened 1,000+ new RTO touch points since 2010

Continue our history of dividend payments

Paid our 15<sup>th</sup> straight quarterly dividend

Be opportunistic with share repurchases

~37mm shares repurchased to date

Examine and adjust our capital structure when appropriate

Refinanced \$750mm in senior debt (July 2011)



# Rent-A-Center represents an attractive opportunity



Leader of an established and growing industry



Advantaged business model which has demonstrated superior profitability and continues to generate strong operating cash flow



Clearly defined opportunities for accelerated growth



A proven track record of returning capital to shareholders



Seasoned management team with a track record for growth and innovation



# Appendix



# Adjusted EBITDA Reconciliation

## Reconciliation of Adjusted EBITDA to Earnings Before Income Taxes

(\$ in millions)	FYE 2011A <sup>(1)</sup>	FYE 2012A <sup>(1)</sup>	FYE 2013A <sup>(1)</sup>
<b>GAAP EBIT</b>	<b>\$254.7</b>	<b>\$284.4</b>	<b>\$207.4</b>
Plus: Litigation Expense (Credit)	2.8	-	-
Plus: Impairment Charge	7.3	-	-
Plus: Restructuring Charge	13.9	-	-
Plus: Interest Expense, net	36.6	31.2	38.8
Plus: Amortization	4.7	5.9	11.5
Plus: Depreciation	65.2	73.4	76.5
<b>Adjusted EBITDA</b>	<b>\$385.2</b>	<b>\$394.9</b>	<b>\$334.1</b>

Notes:

(1) Includes on-rent reserve adjustment



# Company Information

For quarterly press releases, conference call transcripts, investor presentations, annual report and other company information, please access our investor relations web site at:

[investor.rentacenter.com](http://investor.rentacenter.com)

