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# RAC

*Rent·A·Center*®

*Investor Presentation  
September 2002*

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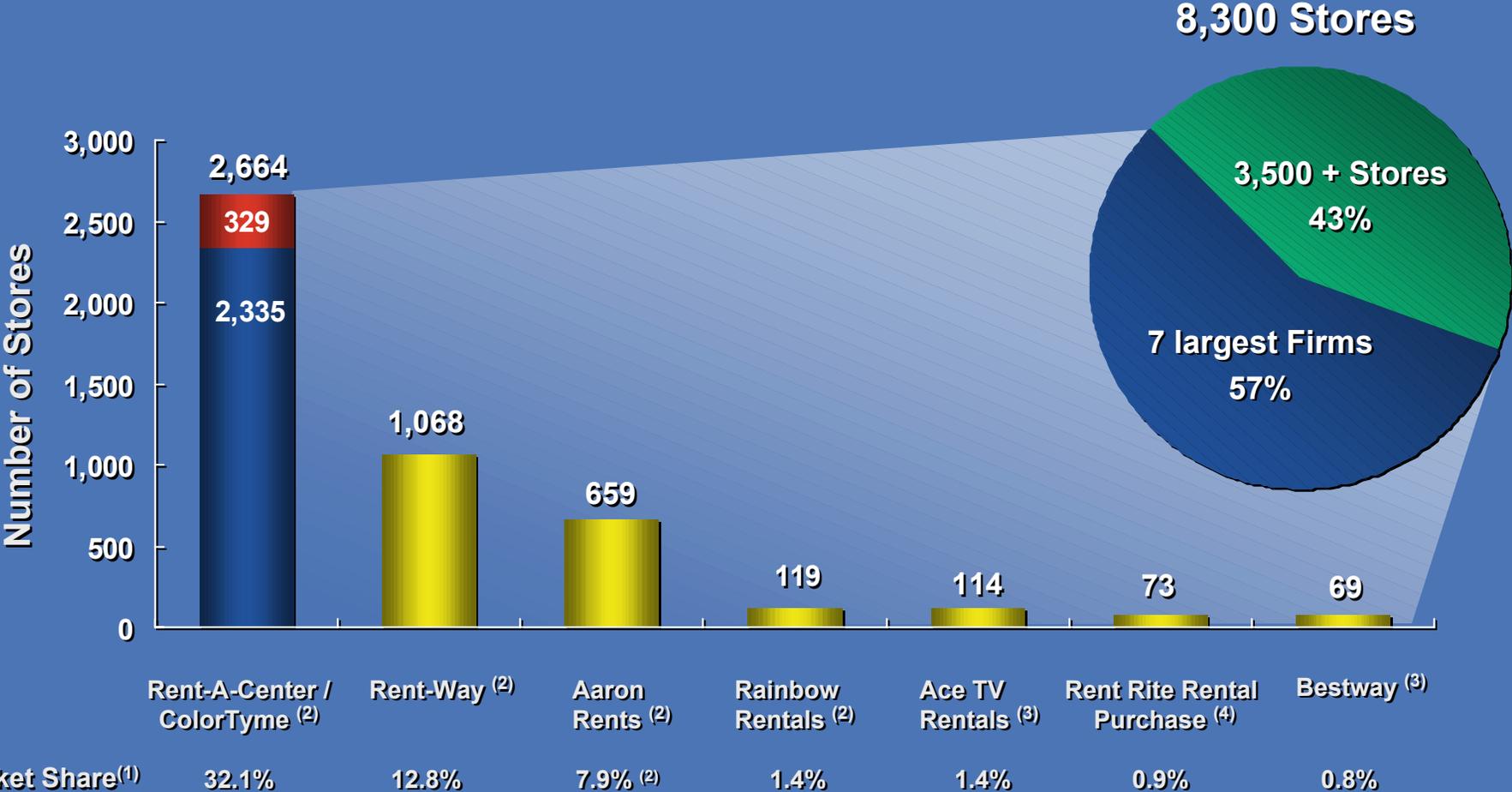
# Key Investment Considerations

- Leading rent-to-own operator in U.S.
- Proven business model
- Multiple growth drivers
- Strong financial and operating results
  - Total revenue growth of 11.7% (2Q02)
  - Same Store Sales growth of 6.6% (2Q02)
  - Net Income rose 33% (2Q02)
  - Strong balance sheet - reduced debt by \$128MM (2Q02)
  - Strong free cashflow before financing activities of \$129.5MM (June YTD)
- Experienced management team led by CEO Mark Speese

# Leading RTO Operator in U.S.

- Largest rent-to-own operator in the U.S.
  - 28% market share based on store count (2,335 stores)
  - ColorTyme subsidiary represents an additional 4% market share
- Broad selection of high quality goods through flexible rental agreements
  - Home electronics
  - Appliances
  - Personal computers
  - Furniture and home accessories
- Primarily serves the “underbanked” consumer
- Generated \$1.9BN in LTM revenue and \$342MM in LTM EBITDA as of June 30, 2002

# Dominant Player in Fragmented Marketplace

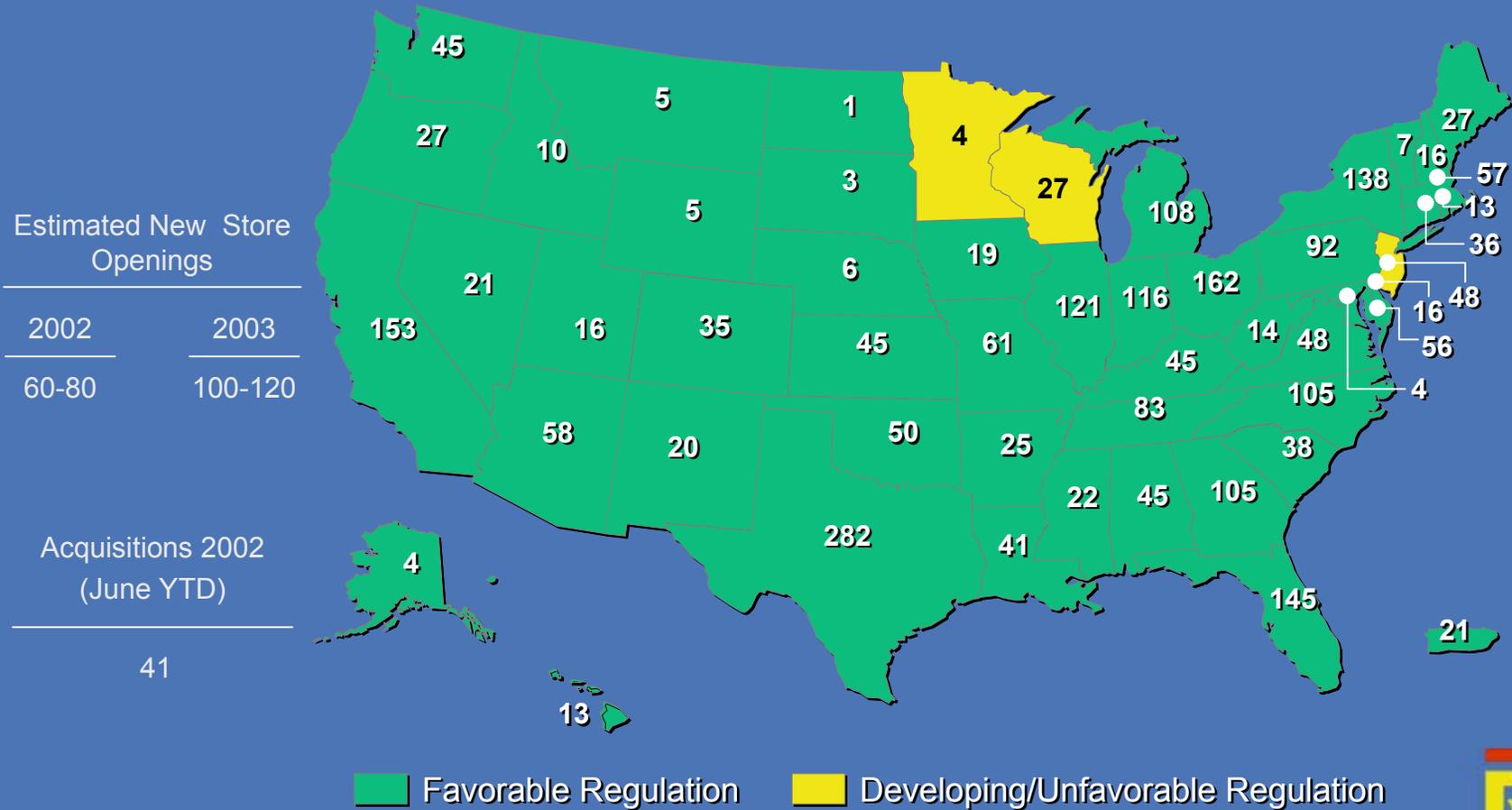


Notes: (1) Based on Association of Progressive Rental Organization (APRO) estimates in 2002 Industry Survey of 8,300 total stores  
 (2) Quarter ending June 30, 2002 earnings press release  
 (3) Company website - Store locations  
 (4) APRO 2002 Industry Survey

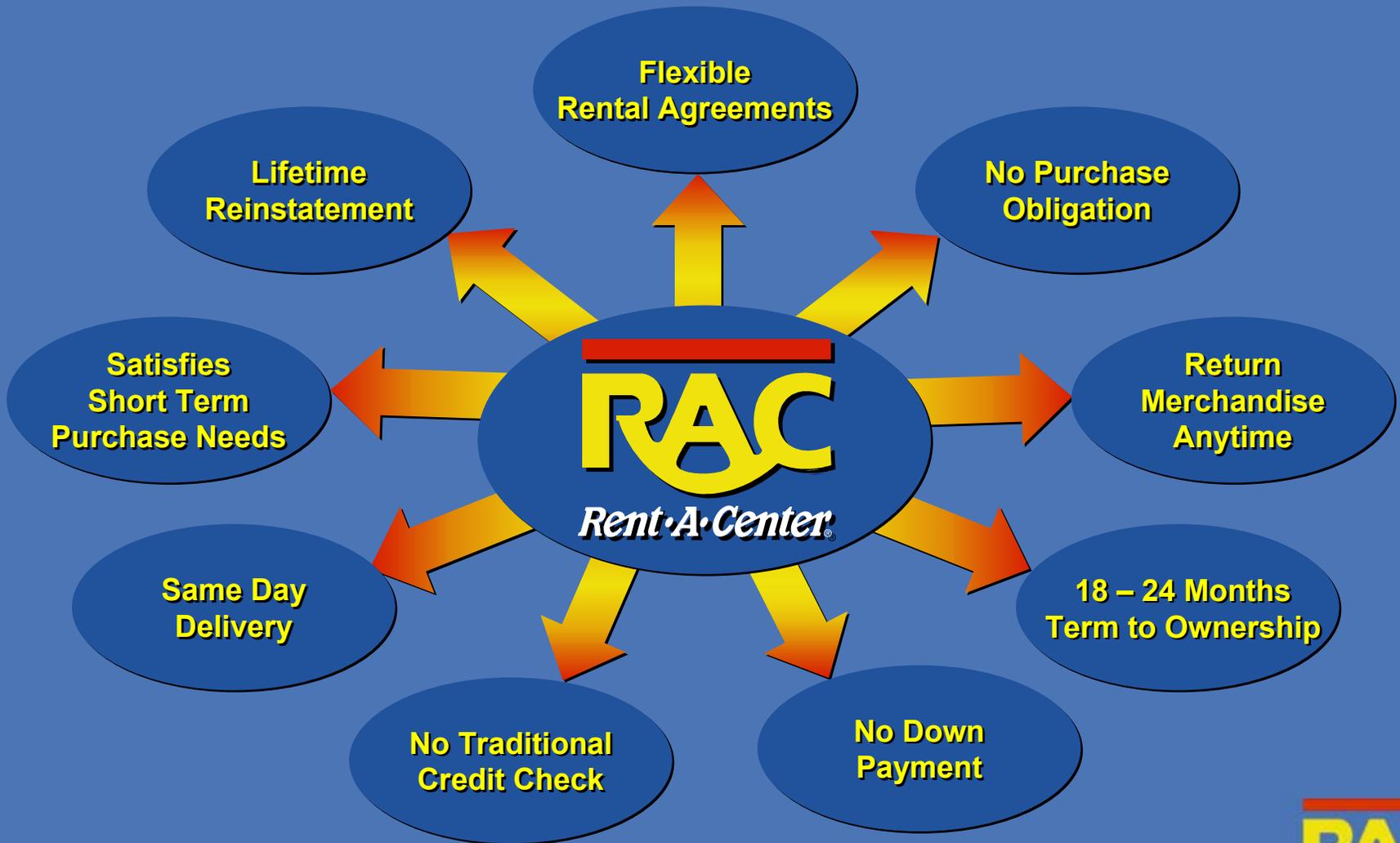


# Leading National Footprint

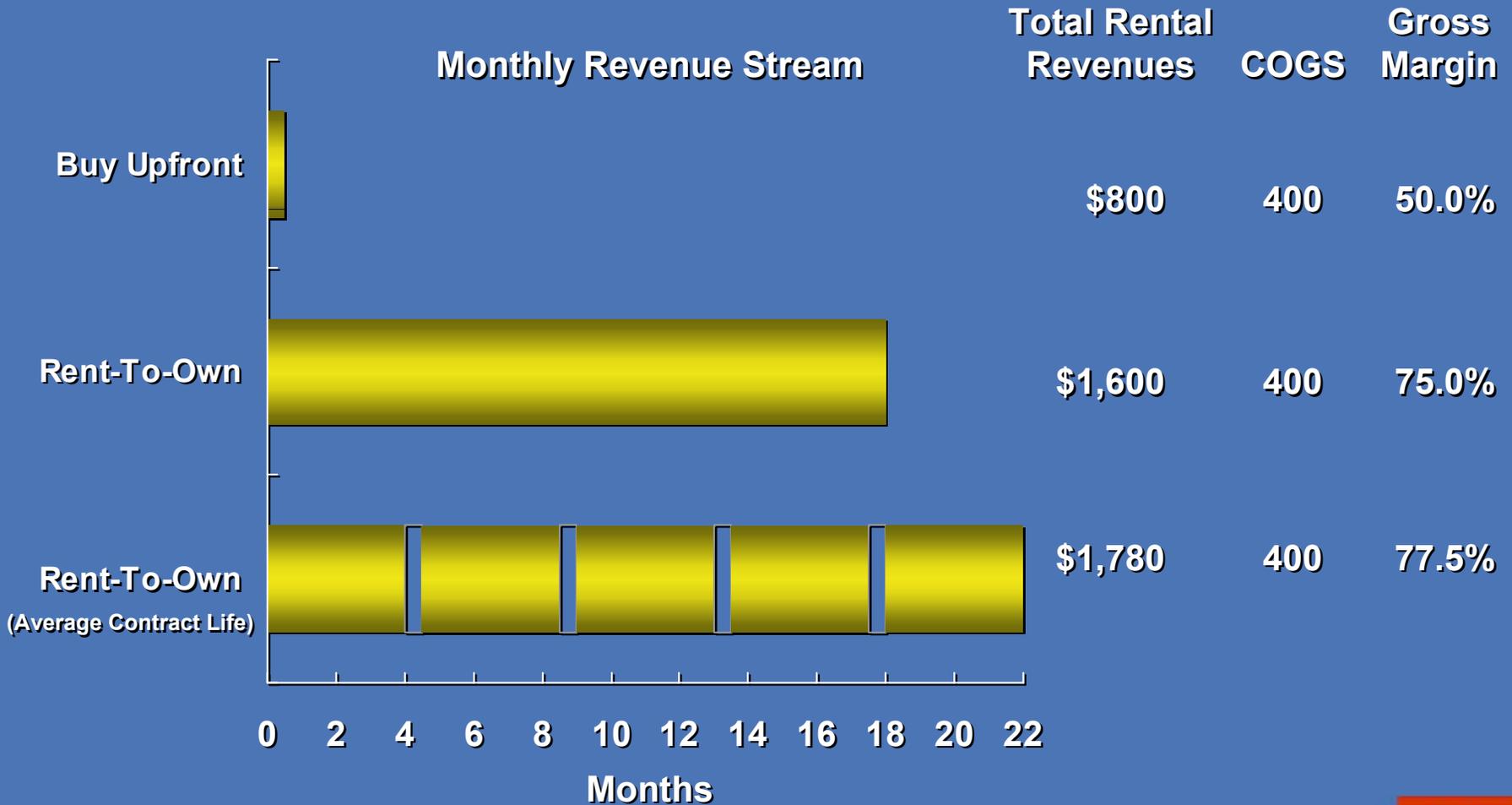
2,335 company-owned stores and 329 franchised stores



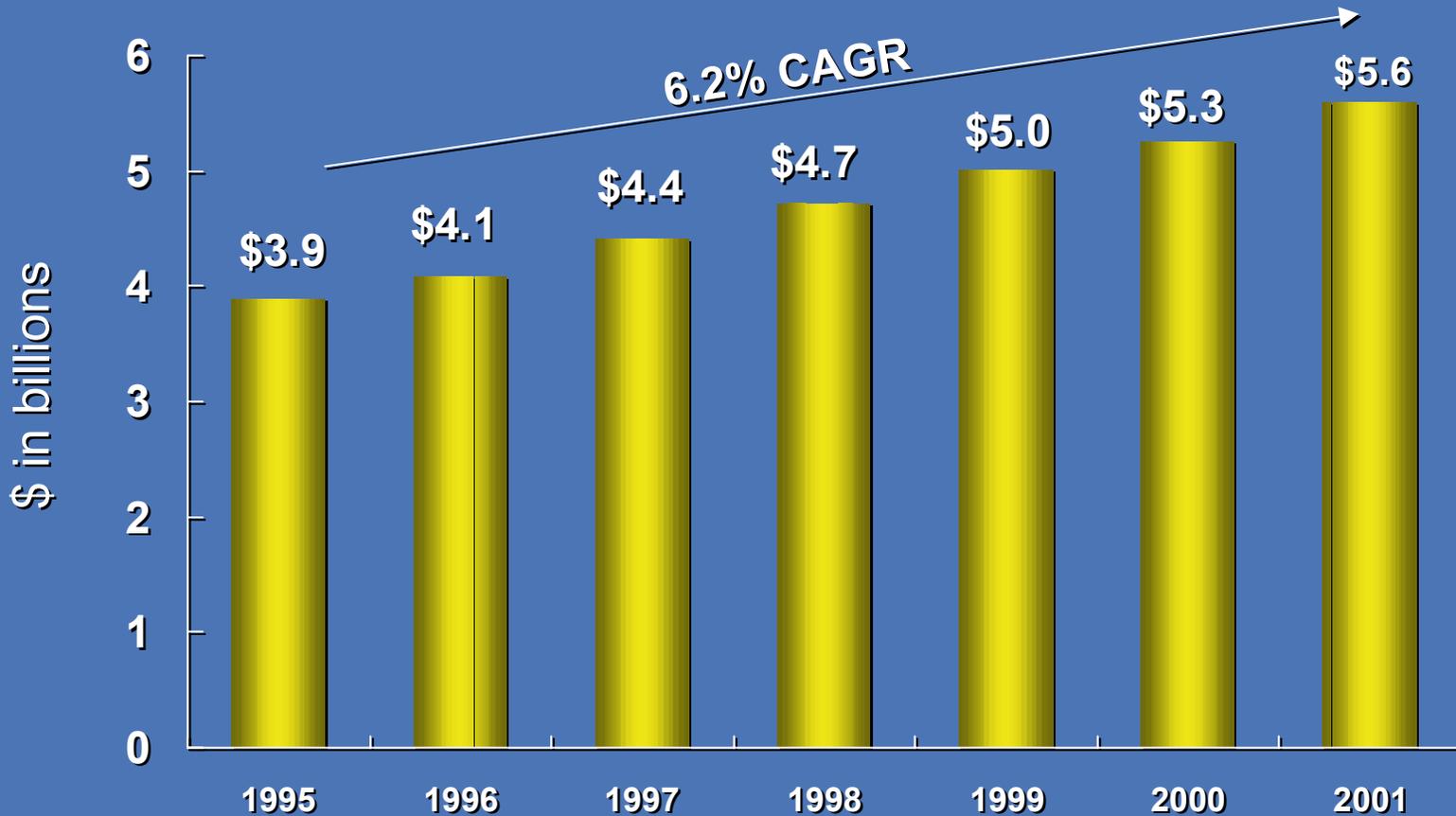
# Rent-to-Own is an Appealing Transaction...



# ...With Attractive Economics ...



# ...Consistent Industry Growth...



Source: APRO

# ...In Any Economic Environment

## Late 1990's Economic Boom



## Current Environment



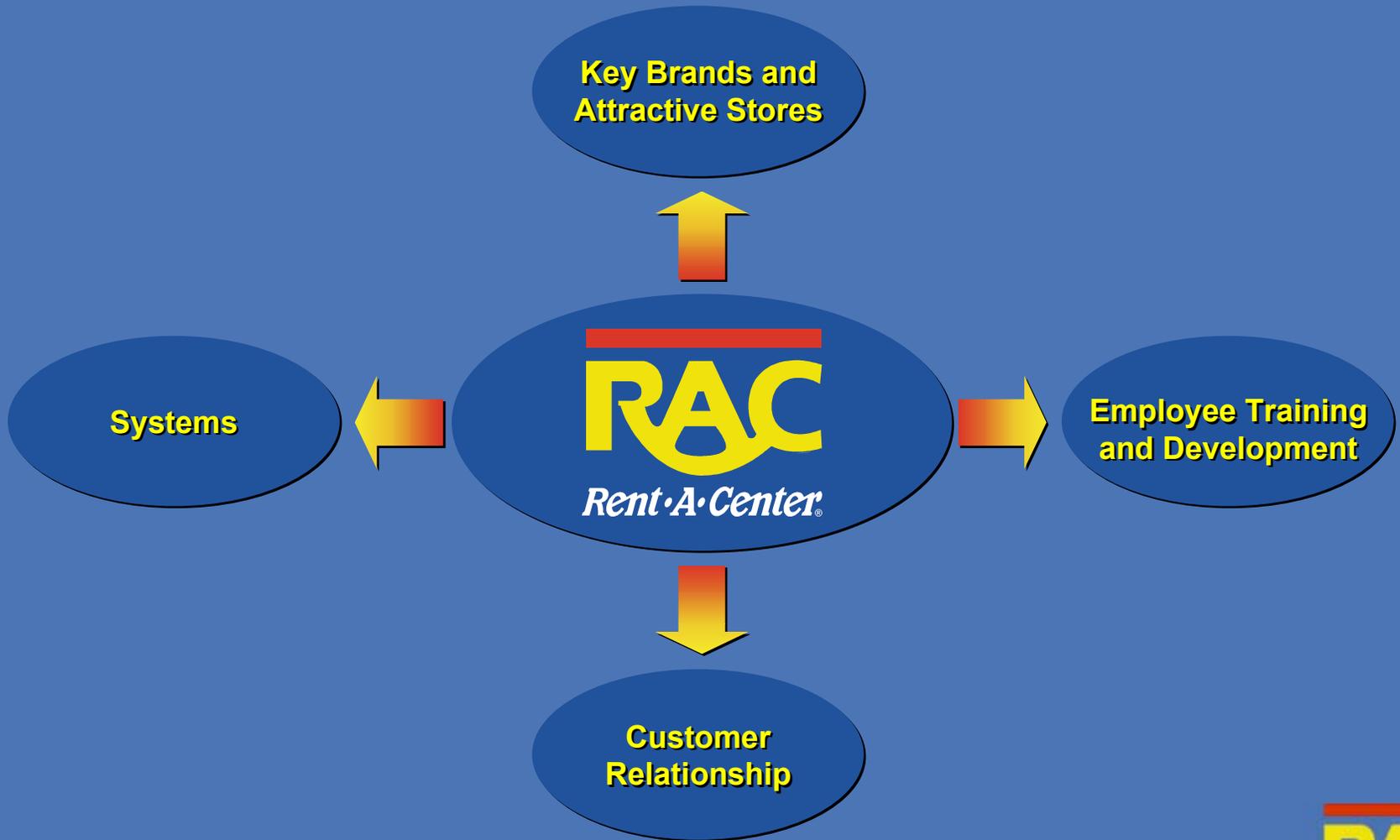
- Notes: (1) Represents recurring earnings per share before \$7.5MM and \$11.5MM of non-recurring charges in Q3 1998 and Q4 1998, respectively.  
 (2) Excludes non-recurring gain of \$22.4MM.

# Serves the “Underbanked Working Family”

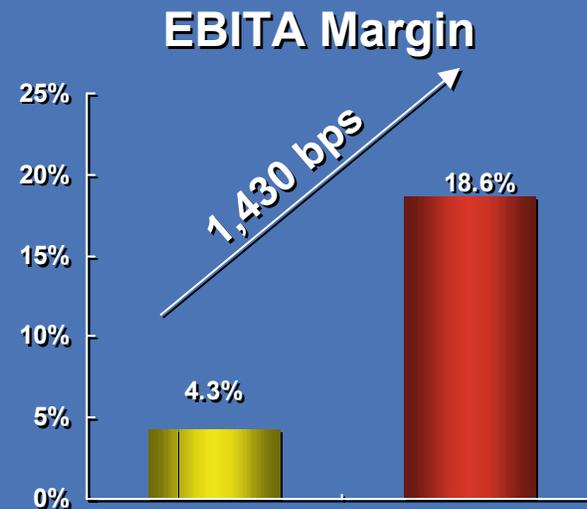
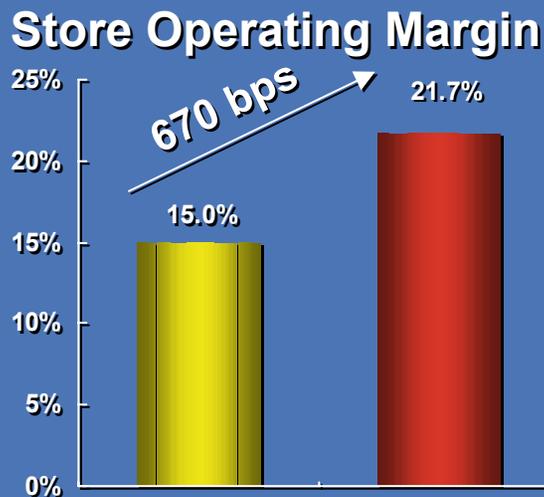
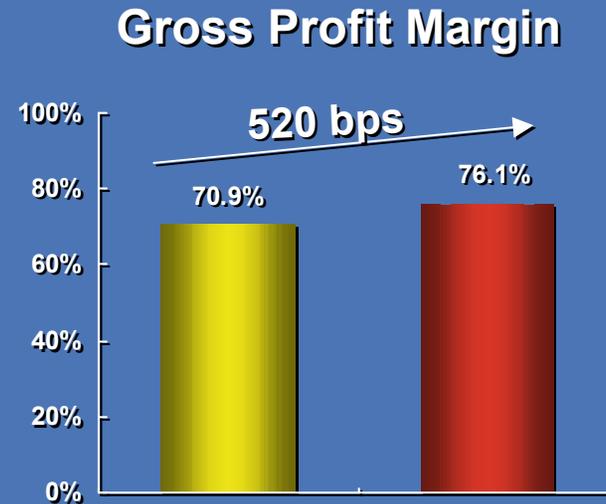
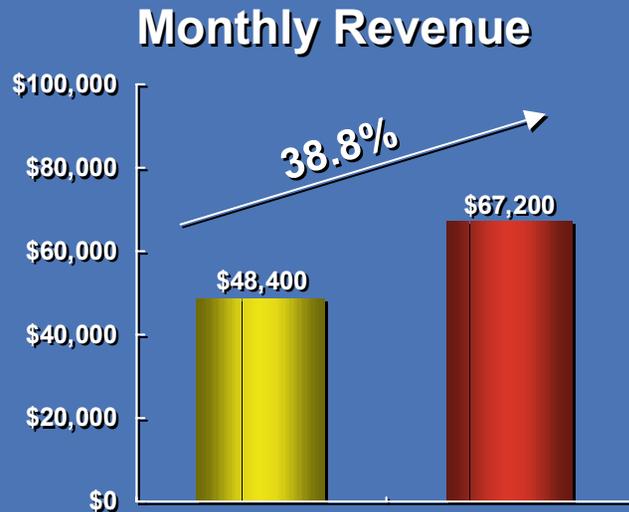
- 92% of Customers Have Household Incomes Between \$15,000 and \$50,000<sup>(1)</sup>
- 44MM Households With Household Incomes Between \$15,000 and \$50,000<sup>(1)</sup>
- Industry Is Only Serving 2.8MM of These Households<sup>(2)</sup>
- Great Market Opportunity

Note: (1) America's Research Group, February 1999  
(2) APRO 2002 Industry Survey

# Proven Business Model



# Rent-A-Center Store Profitability vs. Peers



■ Industry Average (1)

■ Average RCII Store (2)

Notes: (1) Source: APRO 2000 Data.

(2) Per LTM data for the period ended June 30, 2002.

# Easily Accessible, Highly Visible Sites



# Spacious Showroom Interior



# High Quality, Brand-name Merchandise

Electronics  
42% of Revenues

**SONY**

**MAGNAVOX**

**JVC**

 **Mitsubishi**

Furniture  
32% of Revenues

  
**England**

  
**Simmons**

 **ASHLEY**

Appliances  
16% of Revenues

  
**Whirlpool**

Computers  
10% of Revenues

  
**hp**

**DELL**

**COMPAQ**

# State-of-The Art Systems Capabilities

## Inventory Analysis

MONTH-END INVENTORY ANALYSIS

ITEM	QTY	UNIT	PRICE	AMOUNT	PERCENT	DIFFERENCE	REASON
1001	100	EA	1.00	100.00	100%	0.00	
1002	200	EA	2.00	400.00	200%	0.00	
1003	300	EA	3.00	900.00	300%	0.00	
1004	400	EA	4.00	1600.00	400%	0.00	
1005	500	EA	5.00	2500.00	500%	0.00	

## BOR & Credit Analysis

DEBIT FROM

ITEM	QTY	UNIT	PRICE	AMOUNT	PERCENT	DIFFERENCE	REASON
1001	100	EA	1.00	100.00	100%	0.00	
1002	200	EA	2.00	400.00	200%	0.00	
1003	300	EA	3.00	900.00	300%	0.00	
1004	400	EA	4.00	1600.00	400%	0.00	
1005	500	EA	5.00	2500.00	500%	0.00	

## Store Income Analysis

INCOME CATEGORY	YTD	MTD	WTD	YTD	%	BEV	WTD
Net Sales	374.24	4.64	3,029.27	26.74	10.67	11.26	76.90
Net Sales - Return	11.71	2.04	476.14	4.24	3.14	3.24	104.79
Net Sales - Other	3,622.53	26.24	2,553.13	22.50	16.81	14.50	181.11

## Exceptions Report

DISCREPANCY REPORT

DISCREPANCY	DESCRIPTION	QTY	UNIT	PRICE	AMOUNT	PERCENT	DIFFERENCE	REASON
1001	Due to be corrected on 03/05/00	100	EA	1.00	100.00	100%	0.00	
1002	Sample Error	200	EA	2.00	400.00	200%	0.00	
1003	Material Error	300	EA	3.00	900.00	300%	0.00	
1004	Net Sales Error	400	EA	4.00	1600.00	400%	0.00	
1005	Net Sales Error	500	EA	5.00	2500.00	500%	0.00	

- Daily reports at all levels of organization from store manager to Chairman/CEO
- Manage by exception philosophy
- Systems help enforce strict inventory/cost control



# Strategic Objectives

- Improve store level profitability
- Open new stores
- Acquire existing rent-to-own stores
- National branding

# Improved Store Level Profitability

## Core Store Profitability



# Significant Market Opportunity



# Strong New Store Economics

- Start-up investment of approximately \$450,000 (2/3 for inventory)
- Begin turning a monthly profit in approximately nine months
- Cumulative break even within 18–24 months
- Internal Rate of Return of approximately 50%<sup>(1)</sup>

	Year 1	Year 2	Year 3	Year 4
<b>Revenues</b>	\$400,000	\$650,000	\$750,000	\$800,000
<b>Store operating margins</b>	(25.0%)	10.0%	17.0%	20.0%
<b>EBITDA</b>	(\$85,000)	\$80,000	\$140,000	\$170,000

Note: (1) Before market and corporate allocation and income tax expense.

# Enhancing National Brand – “Get The Good Stuff”

**John Madden**  
**National Advertising Spokesperson**



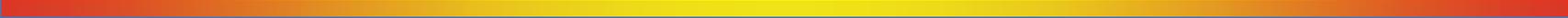
- Solidify reputation as leading provider of quality merchandise
- Educate consumers about RTO alternative
- Strong image identification
- Multi-cultural appeal

# Experienced Management Team

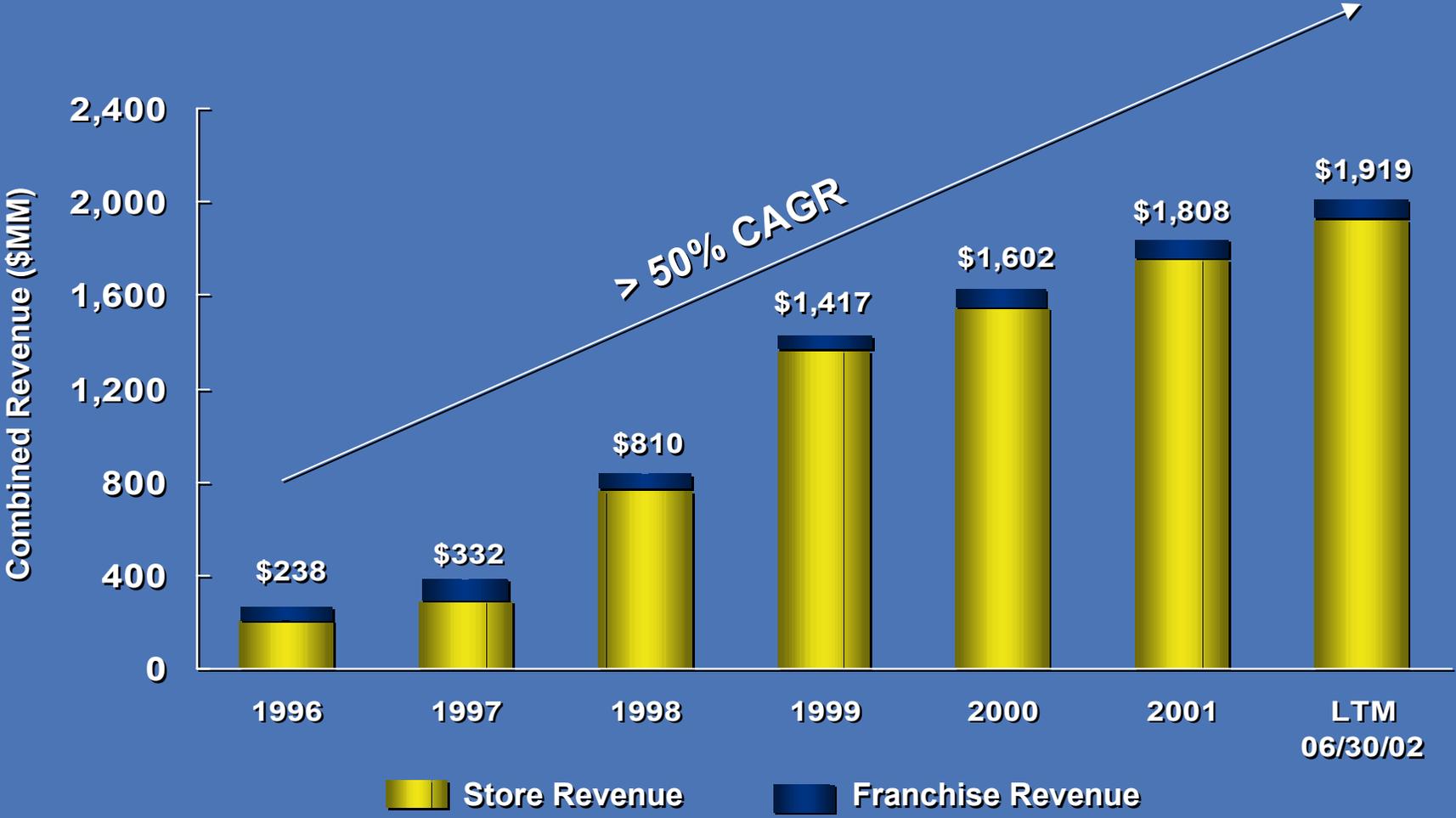
- Senior management team is most experienced in RTO industry
  - CEO Mark Speese has nearly 25 years RTO experience
  - President Mitch Fadel has over 19 years of RTO experience
  - Senior executives average over 10 years of RTO experience
- Attracting the best personnel with industry-leading salary and incentive plans



# Financial Overview



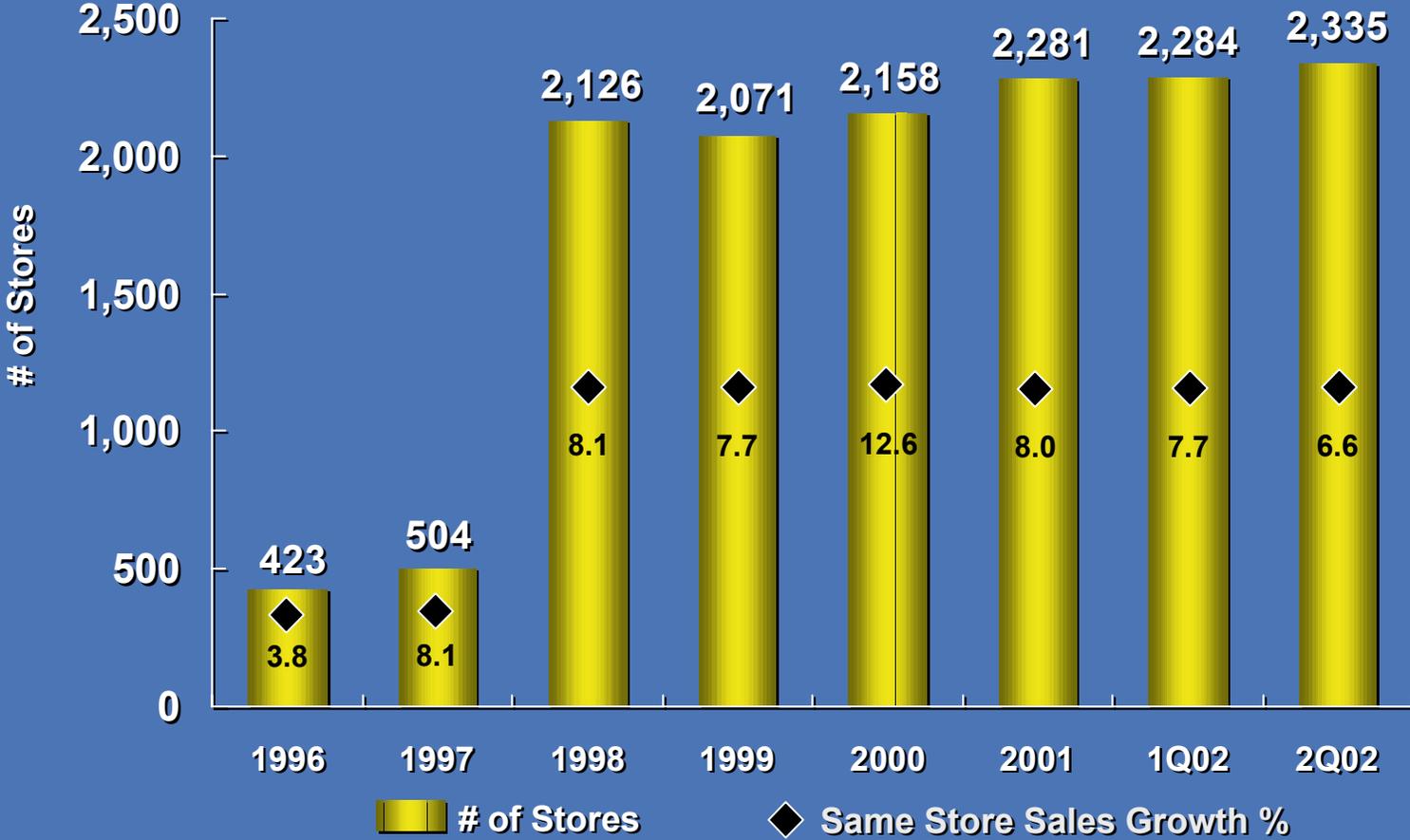
# Strong, Consistent Sales Growth



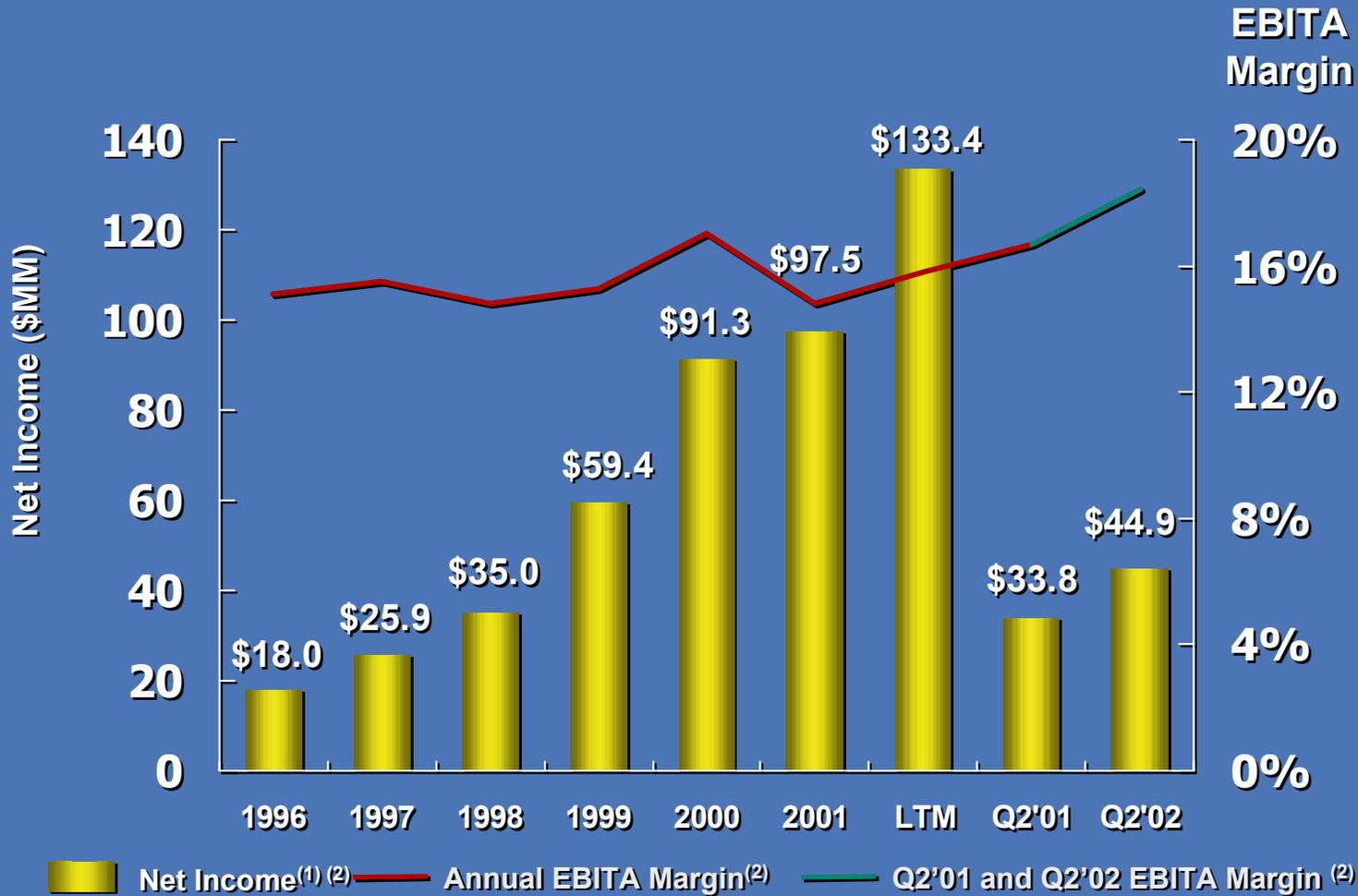
Includes Central Rents and RAC from date of acquisition only.



# Consistent Growth in Same Store Sales



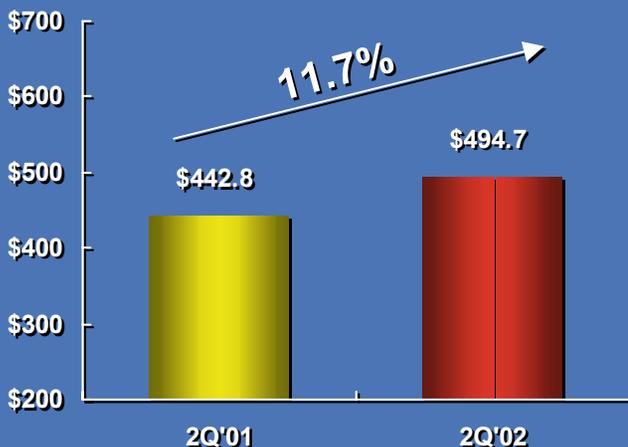
# ...Profitability on the Rise



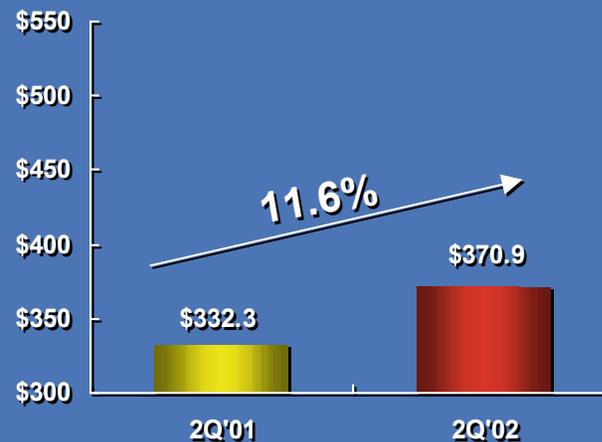
Notes: (1) Before preferred dividend.  
 (2) Excludes nonrecurring charges.

# Second Quarter Review

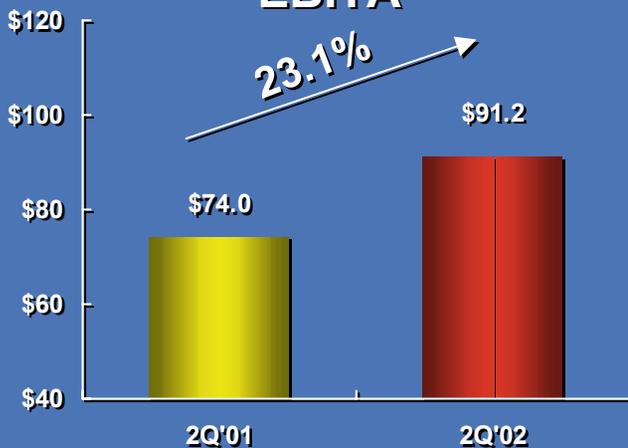
## Revenue



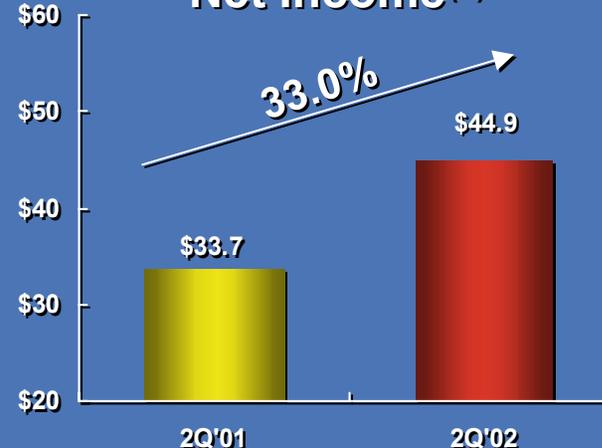
## Gross Profit



## EBITA



## Net Income<sup>(1)</sup>



EBITA Margin	2Q'01	2Q'02
	16.7%	18.4%

Net Income Margin	2Q'01	2Q'02
	7.6%	9.1%

Note: (1) Before preferred dividend and adjusted to exclude goodwill amortization in Q2'01.

# Current Capital Structure

	<u>June 30 2002</u>	<u>% of Book Capital</u>
Cash & Equivalents	<u>\$93.8</u>	<u>N/A</u>
Senior Credit Facilities	300.0	22.2%
Subordinated Notes	<u>274.5</u>	<u>20.4%</u>
Total Debt	574.5	42.6%
Shareholders' Equity <sup>(1)</sup>	<u>774.3</u>	<u>57.4%</u>
Total Capitalization	<u>\$1,348.8</u>	<u>100.0%</u>

Note: (1) Includes convertible preferred at book value.

# Substantial Recurring Free Cash Flow to Reduce Debt, Fund Growth & Repurchase Common Stock

<b>Cash Flow Generation</b>	<b>June 2002 YTD</b>
Net Income	\$ 85.5
Amortization of Intangibles	1.6
Amortization of Financing Fees	4.3
Depreciation of Property Assets	18.9
Net Investment in Rental Merchandise	12.1
Change in Other Assets/Liabilities	50.5
<b>Free Cash Flow provided by Operating Activities</b>	<b>\$ 172.9</b>
Capital Expenditures	(16.8)
Acquisitions	(27.2)
Sale of Property Assets	0.6
<b>Free Cash Flow before Financing Activities</b>	<b>\$ 129.5</b>

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*These materials contain forward-looking statements that involve risks and uncertainties. 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, (i) the ability to enhance the performance of existing stores, (ii) the Company's ability to find locations that meet the Company's criteria for new store locations, and the Company's ability to locate existing stores that the Company could acquire under acceptable terms, (iii) the passage of legislation adversely affecting the rent-to-own industry, (iv) the result of our litigation, (v) the ability of the Company to collect on its rental purchase agreements at the current rate, (vi) the ability of the Company to control expenses and improve operating margins, and (vii) the other risks detailed from time to time in the Company's SEC reports, including its annual report Form 10-K for the year ended December 31, 2001, and its quarterly report Form 10-Q for the three months ended June 30, 2002. You are cautioned not to place reliance on these forward-looking statements, which speak only as of the date of these materials. Excepts as required by law, the Company is not obligated to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.*