

# RAC

*Rent·A·Center®*

*Investor Presentation  
Second Quarter 2005*



August 9, 2005

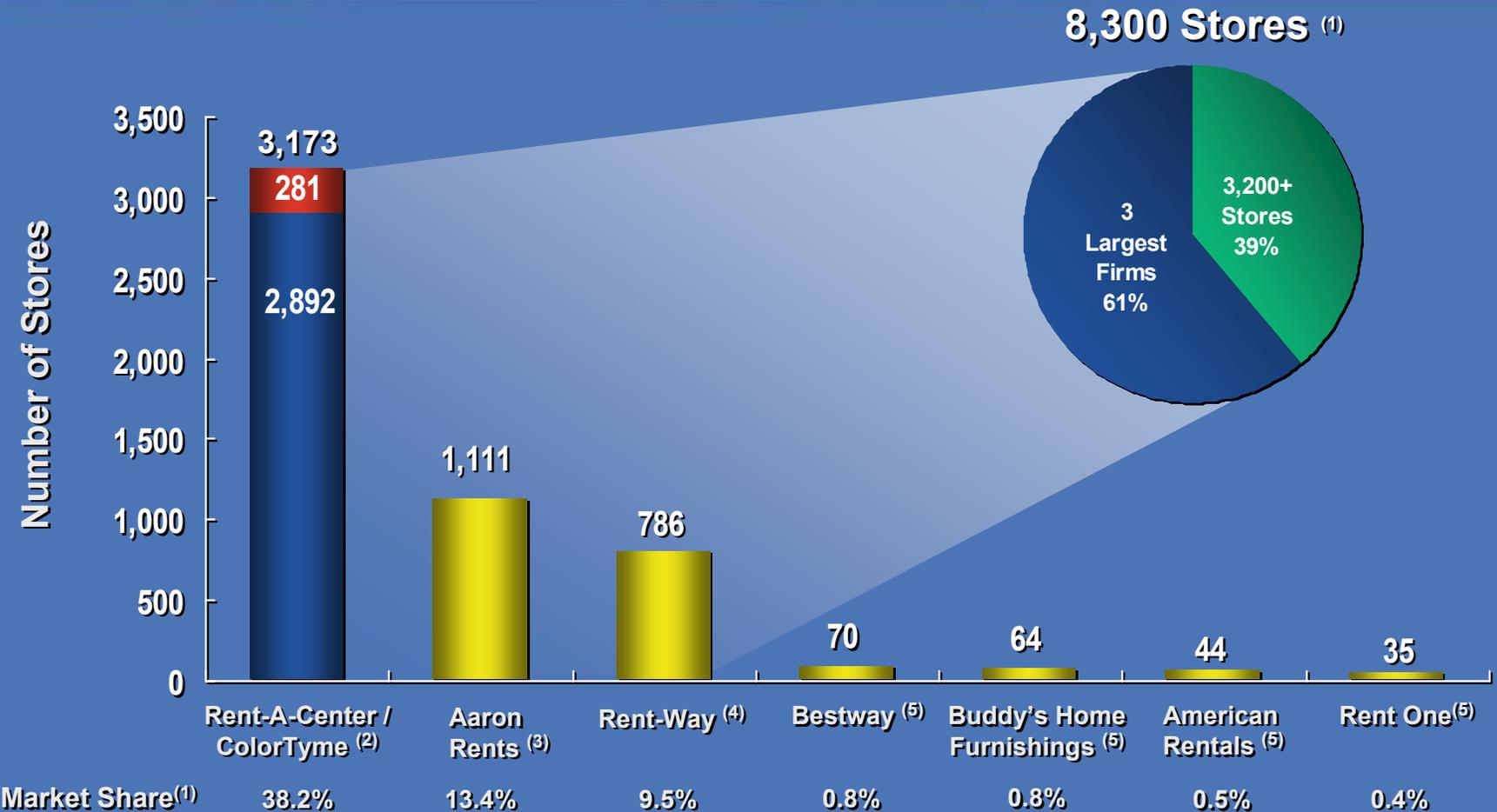
# Key Investment Rationale

- Leading rent-to-own operator in the U.S.
- Proven business model
- Multiple growth drivers
- Predictable revenue stream
- Strong cash flow generation
- Solid balance sheet & strong credit statistics
- Strong internal controls and governance
- Experienced management team

# Leading RTO Operator in U.S.

- Largest rent-to-own operator in the U.S.
  - 35% market share based on 2,892 domestic store count as of 6/30/05
  - ColorTyme subsidiary represents an additional 3% market share
- Broad selection of high quality goods through flexible rental agreements
  - Home electronics – 35% of rental revenue
  - Furniture and home accessories - 38% of rental revenue
  - Appliances - 15% of rental revenue
  - Personal computers – 12% of rental revenue
- Primarily serves the “underbanked” consumer
- Generated \$2.34 billion in LTM revenue and \$359.7 million in LTM EBITDA as of June 30, 2005

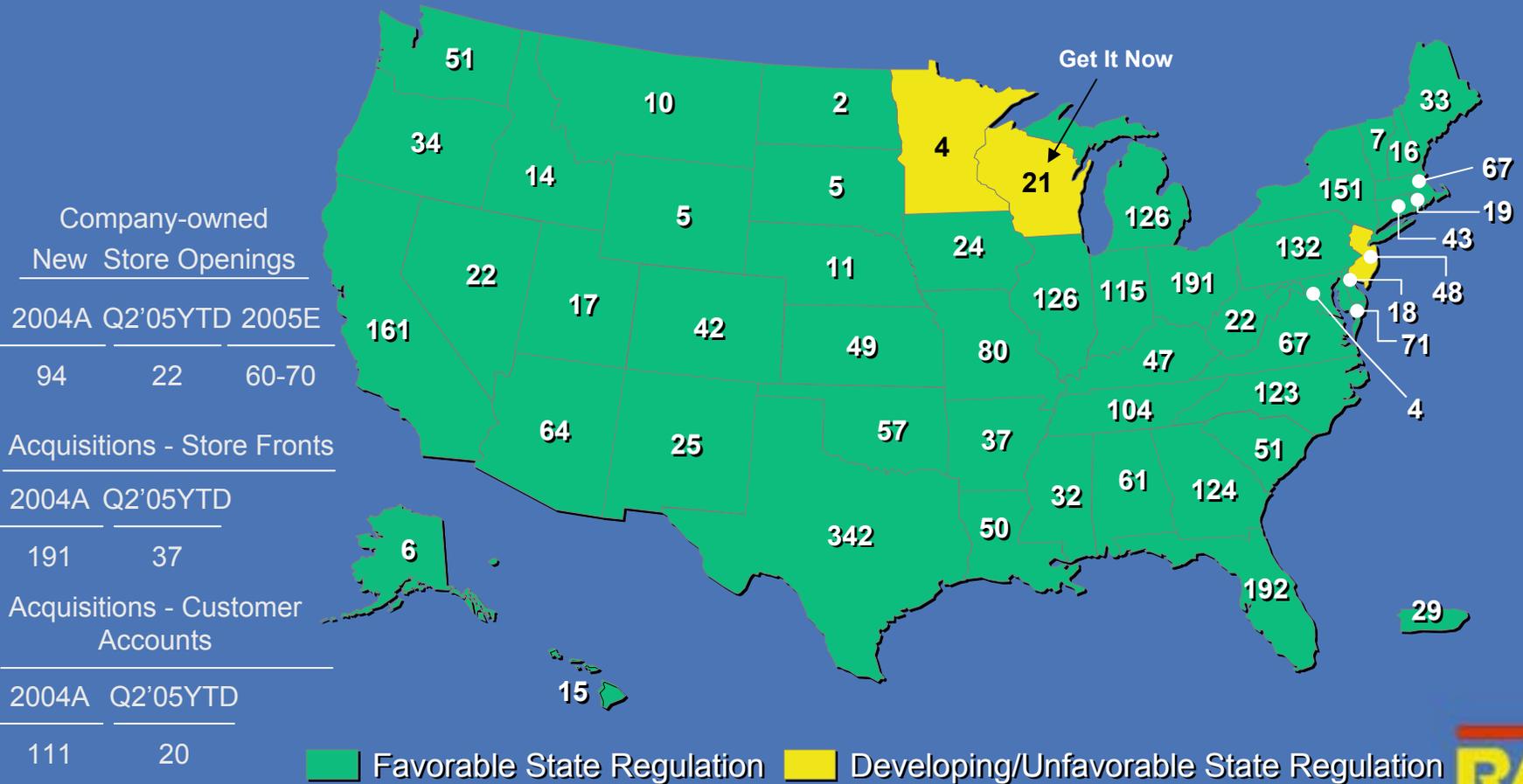
# Leading Player in Fragmented Marketplace



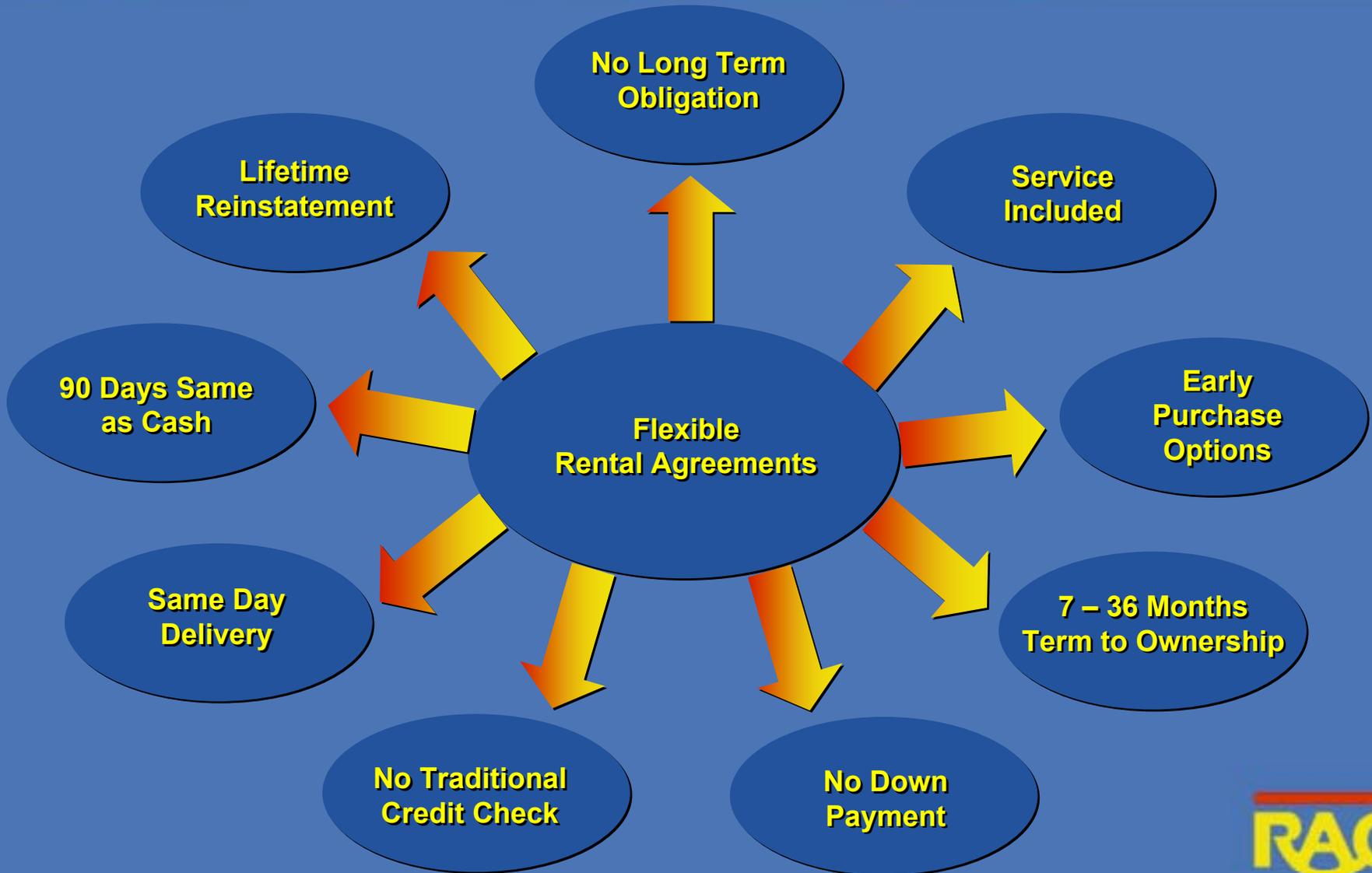
- Notes: (1) Based on Association of Progressive Rental Organization (APRO) estimates in 2004 Industry Survey of 8,300 total stores  
 (2) Company data as of June 30, 2005  
 (3) Company earnings press release of July 27, 2005  
 (4) Company earnings press release of August 4, 2005  
 (5) Company website estimates as of August 9, 2005

# Leading National Footprint

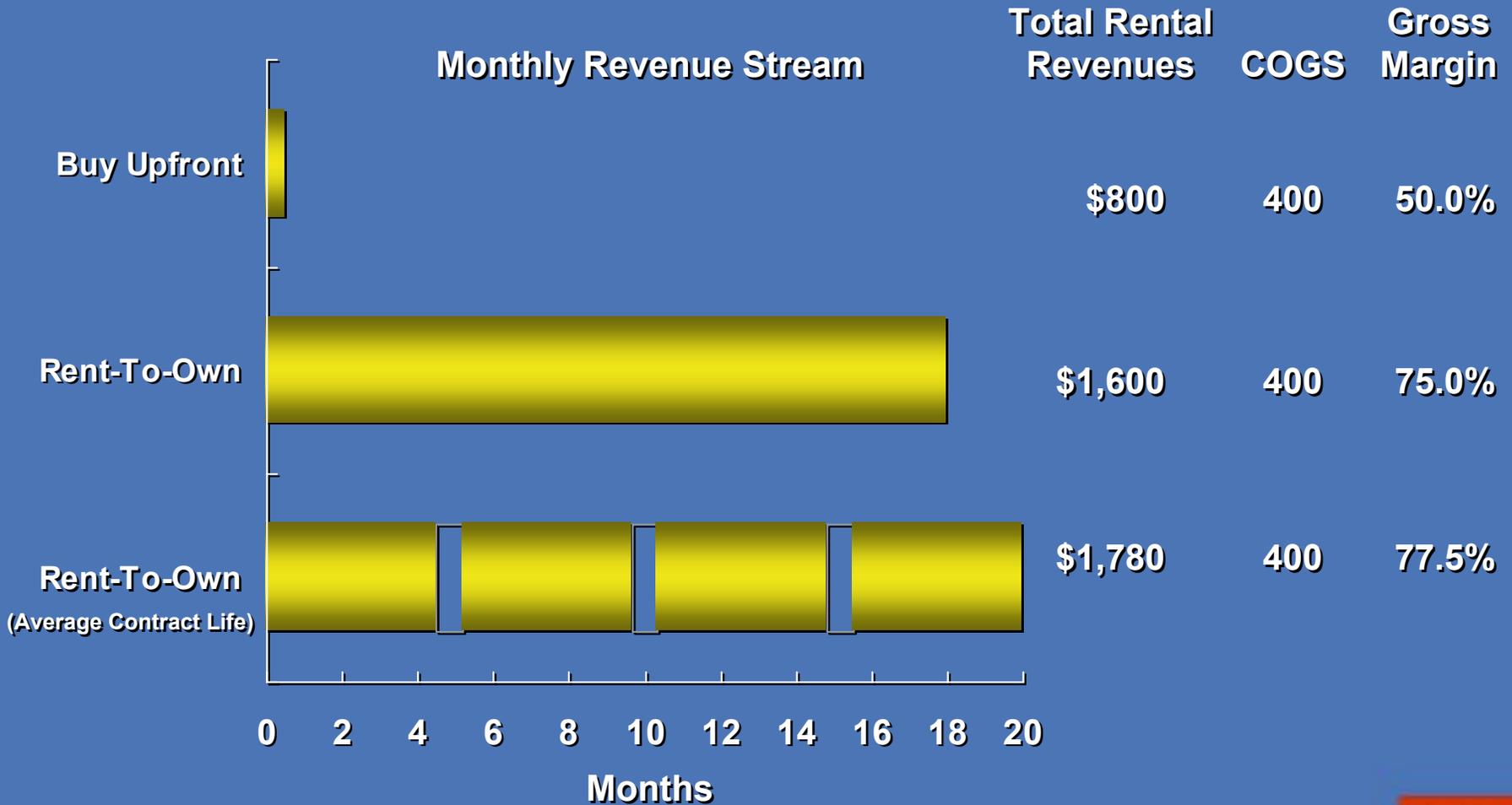
**2,886 domestic company-owned stores and 281 franchised stores**  
 6 company-owned stores in Canada



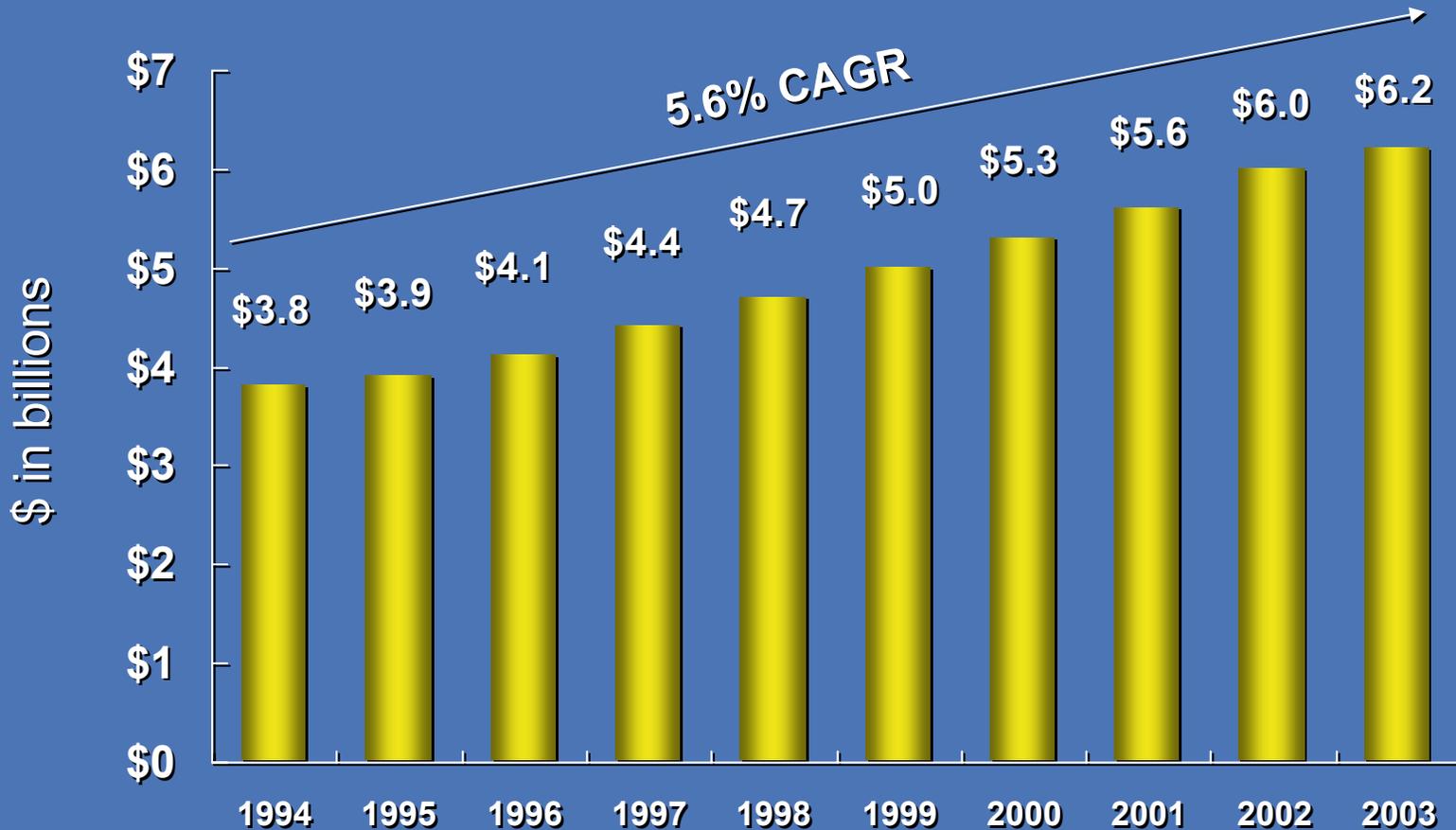
# Rent-to-Own is an Appealing Transaction...



# ...With Attractive Economics ...



# and Consistent Industry Growth



Source: APRO 2004 Industry Survey

# Levers of Growth for Rent-to-Own

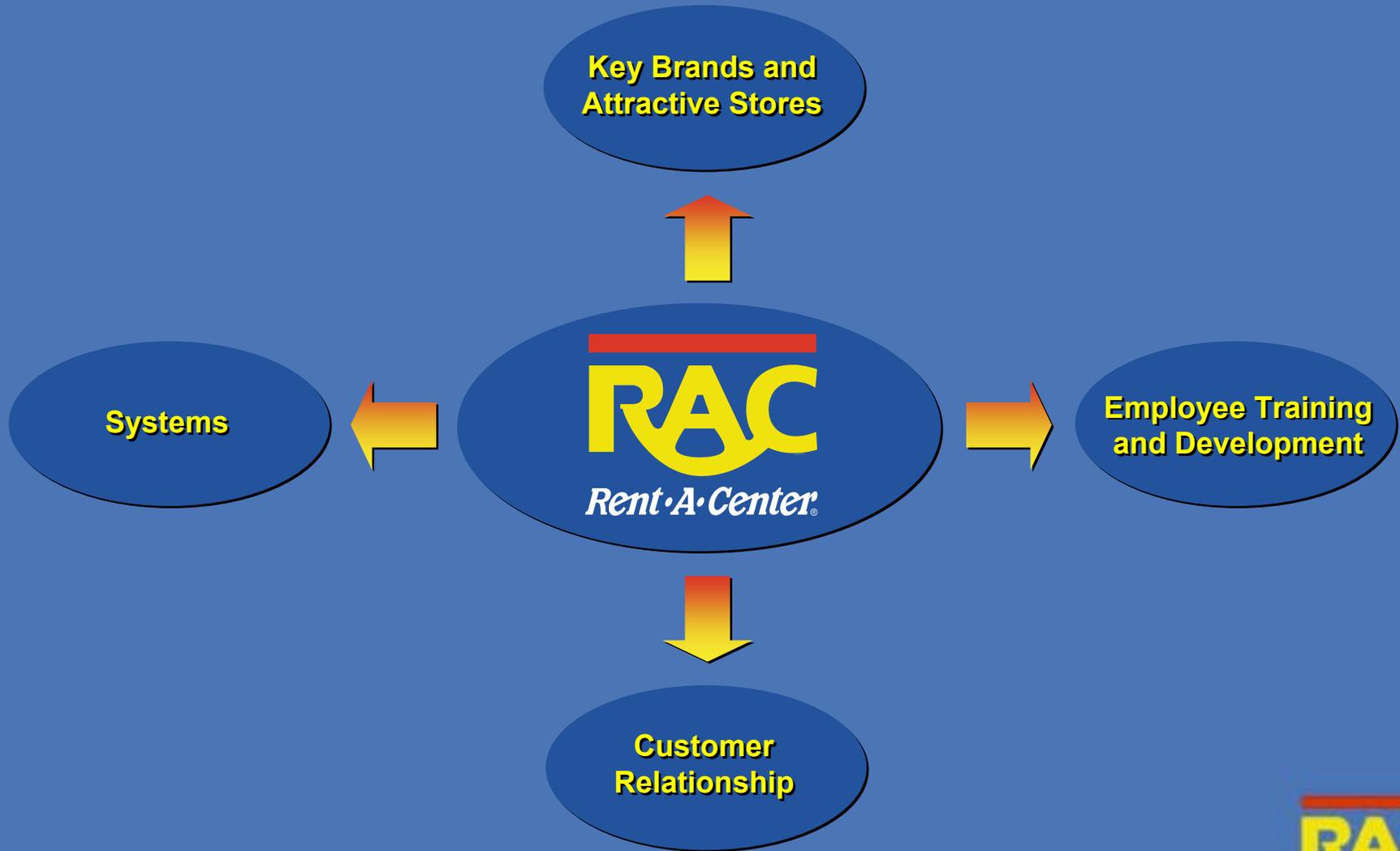
- Open new rent-to-own stores
- Acquire existing rent-to-own stores
  - Storefronts
  - Customer accounts
- Grow same store sales
  - Merchandise mix
  - Agreements per customer
  - Customer growth

# Serves the “Underbanked Working Family”

- 75% of customers in the industry have household incomes between \$15,000 and \$50,000<sup>(1)</sup>
- 45 million households with household incomes between \$15,000 and \$50,000<sup>(2)</sup>
- Industry is serving only 2.7 million of these households<sup>(3)</sup>
- Great market opportunity

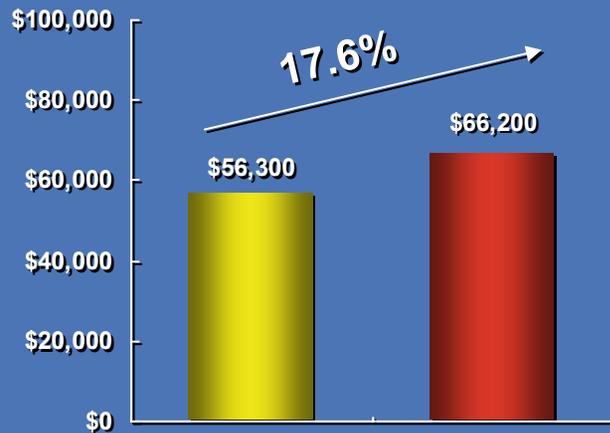
Note: (1) America's Research Group, August 2004  
(2) U.S. Census Bureau - 2001  
(3) APRO 2004 Industry Survey

# Proven Business Model

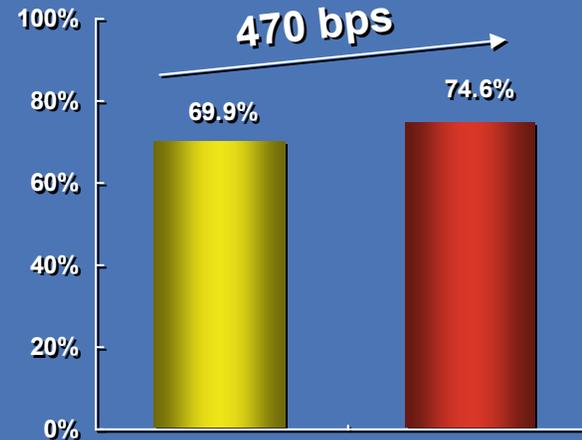


# Rent-A-Center Store Profitability vs. Peers

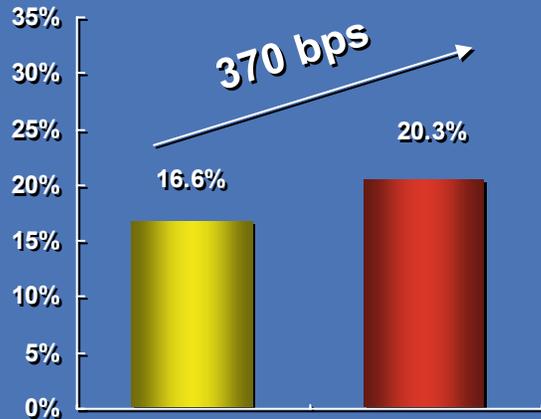
## Monthly Revenue



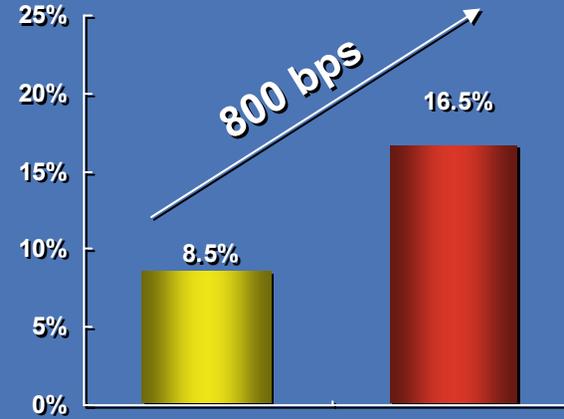
## Gross Profit Margin



## Store Operating Margin



## EBITDA Margin



■ Industry Average (1)
 ■ Average RCI Store (2)

Notes: (1) Source: APRO 2004 Industry Survey.

(2) Per LTM data for the period ended June 30, 2005 for Rent-A-Center stores (excludes Get It Now, ColorTyme, and Canada)

(3) Store Operating Margin is before overhead allocation, EBITDA Margin is after overhead allocation



# Easily Accessible, Highly Visible Sites



Leased Sites Only

# Spacious Showroom Interior



No Warehouses - Vendors Ship Directly to the Stores

# High Quality, Brand-Name Merchandise

**Electronics**  
35% of Rental  
Revenue

**SONY**<sup>®</sup>

**JVC**<sup>®</sup>

**HITACHI**

 **MITSUBISHI**

**TOSHIBA**

**Furniture**  
38% of Rental  
Revenue

 **ASHLEY**

 **Simmons**<sup>®</sup>

 **England**<sup>™</sup>

 **BERKLINE**<sup>®</sup>

**Appliances**  
15% of Rental  
Revenue

 **Whirlpool**



**Computers**  
12% of Rental  
Revenue



**COMPAQ**

**DELL**<sup>™</sup>

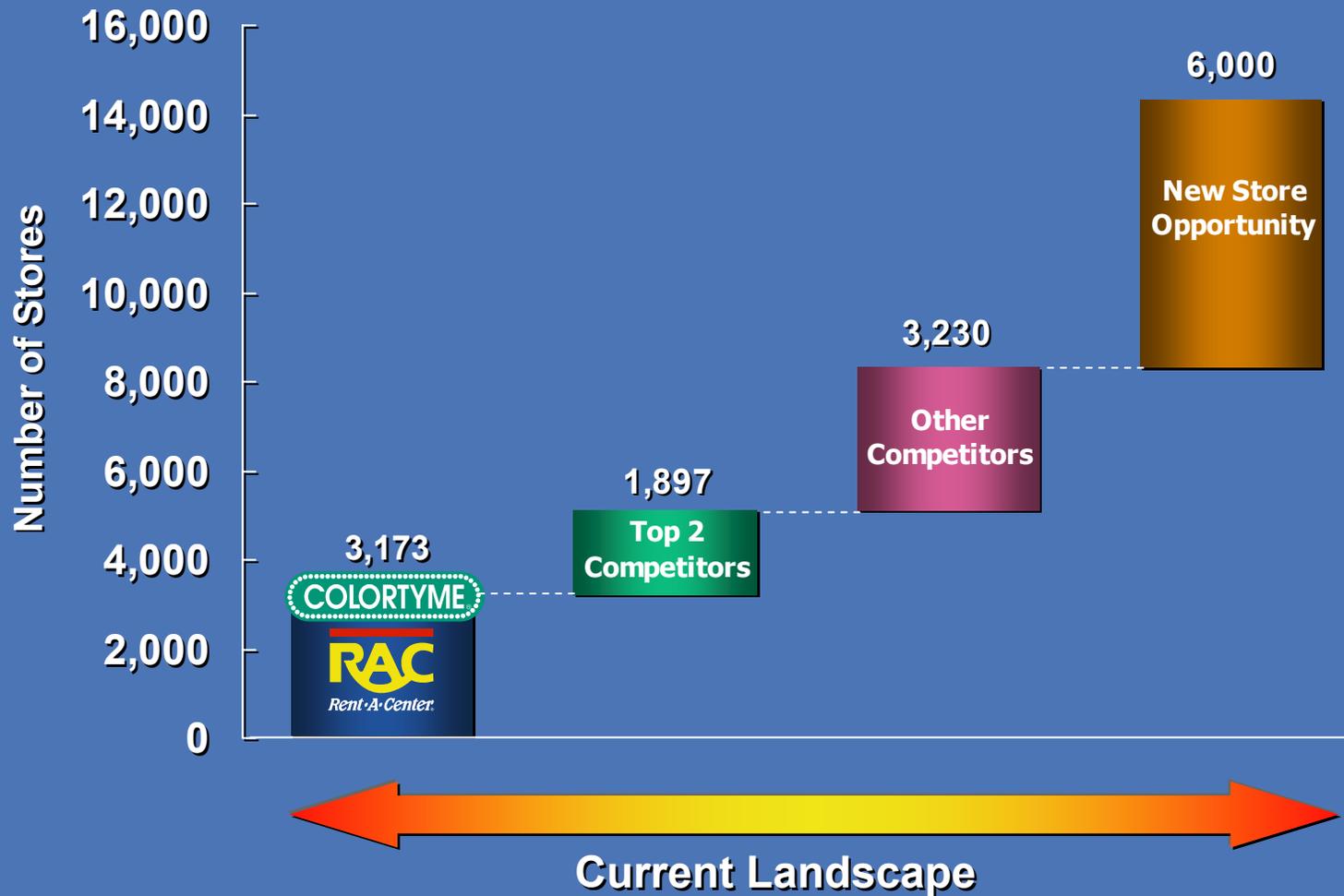
**TOSHIBA**



# Strategic Objectives

- Enhance store level operations and profitability
- Open new stores
- Acquire existing rent-to-own stores
- Enhance national brand
- Expand into new businesses that serve our customer demographic

# Significant Domestic Market Opportunity



# Strong New Store Economics

- Start-up investment of approximately \$500,000 (3/4 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>	\$425,000	\$675,000	\$750,000	\$800,000
<b>EBITDA<sup>(1)</sup></b>	(\$50,000)	\$110,000	\$140,000	\$160,000
<b>EBITDA Margin<sup>(1)</sup></b>	(12%)	16%	19%	20%

Note: (1) Before market and corporate allocation and income tax expense, terminal value of 6.5 x EBITDA in Year 4

# Enhancing National Brand

Now Get Any Item In The Store  
**FREE**  
UNTIL **SEPTEMBER 17<sup>th</sup>**  
Obten cualquier artículo de la tienda gratis hasta el 17 de Septiembre

Mention Ad To Receive Offer  
Menciona En Anuncio Para Recibir La Oferta

Also Available In Back And Front Rooms

**NO CREDIT NEEDED!**

Also Available In Back And Front Rooms

**12 MONTHS IN U.S.**

**1-800-877-7758**  
To Connect To Your Local Store  
Para Descubrir Que Tu tienda Local  
Visit Us At [rentacenter.com](http://rentacenter.com)

**RAC Rent-A-Center**  
RENT TO OWN FURNITURE, APPLIANCES, ELECTRONICS AND COMPUTERS  
ALQUILA CON OPCIÓN A COMPRA: MUEBLES, ELECTRODOMESTICOS, EQUIPO ELECTRONICO Y COMPUTADORAS

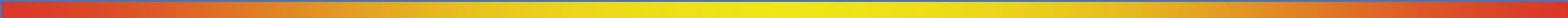
SONY | RCA | YAMAHA | LG | SEERLINE | *PlayStation* | SHER | *Lenovo* | *HP* | *COMPAQ*

Taurus  
Rent-A-Center  
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- National and spot media
- Loyalty program
- NASCAR sponsorship with Ford Motor Company and the U.S. Air Force
- Strategic business relationships

# Experienced Management Team

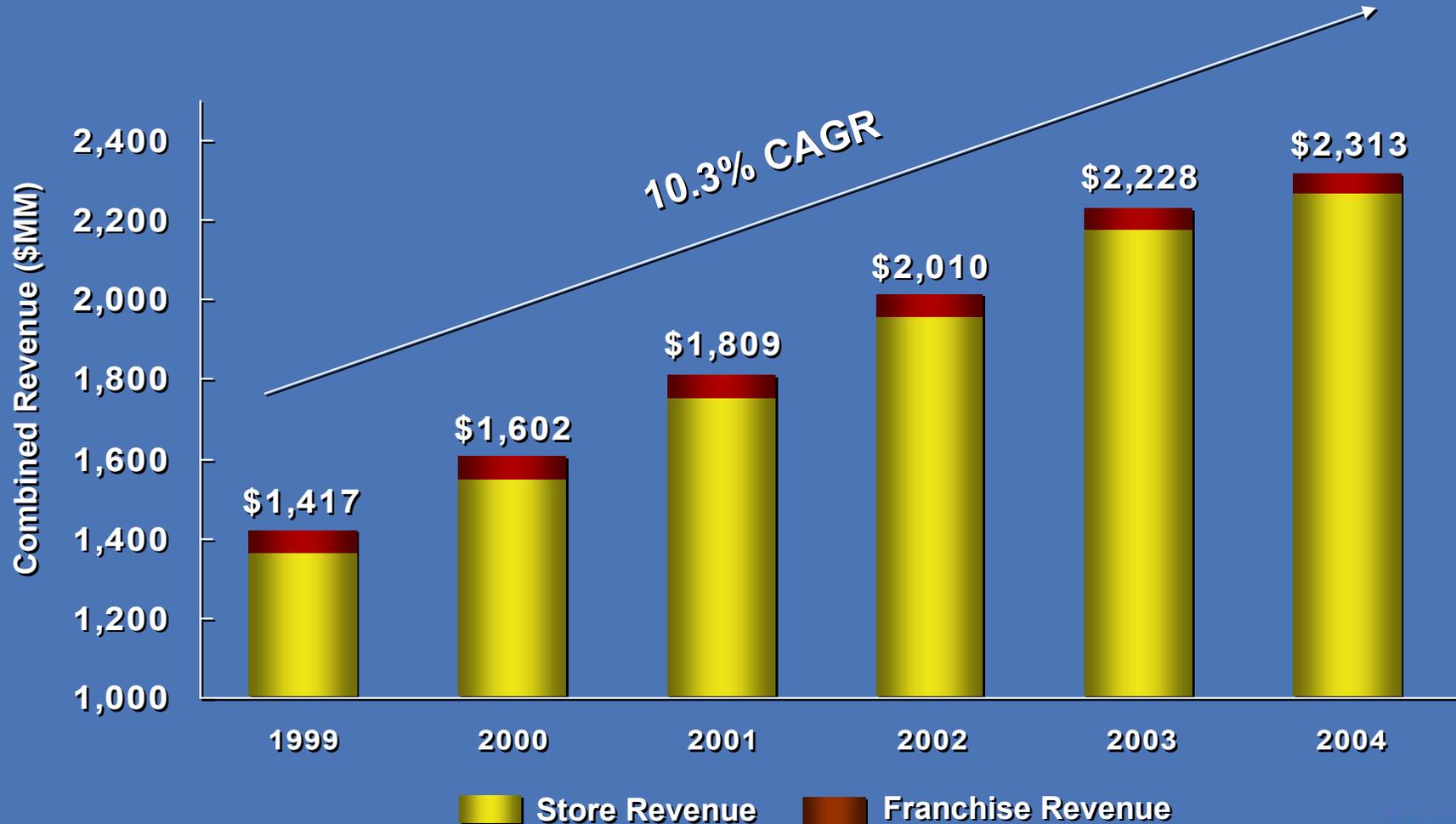
- Senior management team is the most experienced in RTO industry
  - CEO Mark Speese has over 26 years of RTO experience
  - President Mitch Fadel has over 22 years of RTO experience
  - Senior executives average over 10 years of RTO experience
- Attracting the best personnel with industry-leading salary and incentive plans



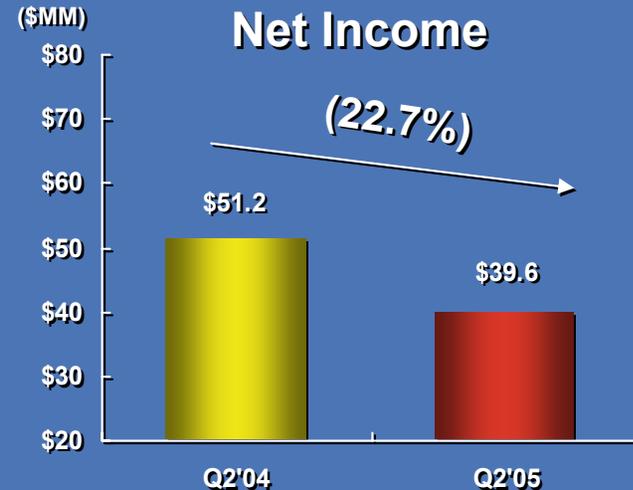
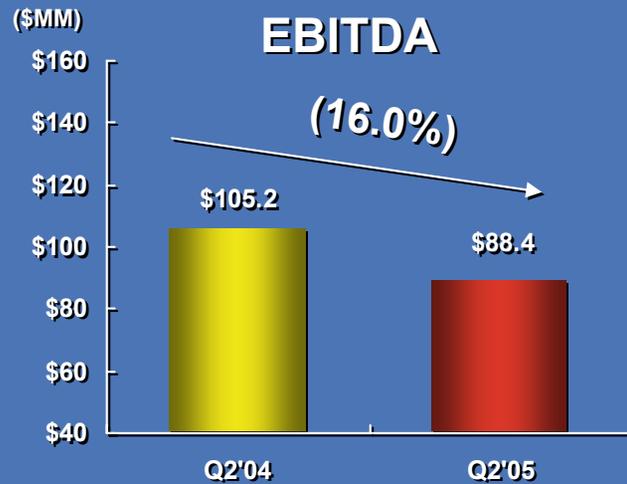
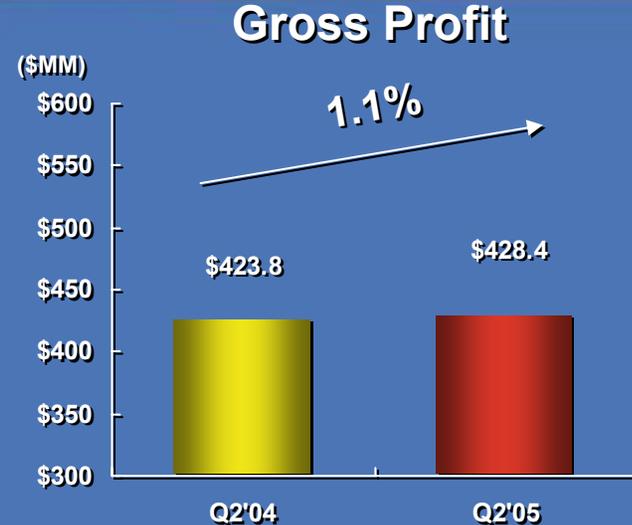
# Financial Overview



# Strong, Consistent Sales Growth



# Q2'05 Review



EBITDA Margin	Q2'04	Q2'05
	18.4%	15.2%

Net Income Margin	Q2'04	Q2'05
	8.9%	6.8%

# Current Capital Structure

<i>(in millions of dollars)</i>	Jun 30 2004	% of Book Capital	Jun 30 2005	% of Book Capital
Cash & Equivalents	\$86.2	N/A	\$25.1	N/A
Senior Credit Facilities	396.0	25.4%	364.5	23.5%
Subordinated Notes	300.0	19.3%	300.0	19.3%
Total Debt	696.0	44.7%	664.5	42.8%
Shareholder's Equity	860.2	55.3%	889.3	57.2%
Total Capitalization	\$1,556.2	100.0%	\$1,553.8	100.0%

Consolidated Leverage Ratio 1.95x (Q2'05)

Consolidated Interest Coverage Ratio 8.26x (Q2'05)

# Operating Cash Flow



# Schedule of Free Cash Flow

## 2005 Estimate

EBITDA	\$325MM - \$345MM
Net Cash Interest	(\$40MM)
CapEx	(\$60MM)
Net Investment in Rental Merchandise	(\$10MM)
Taxes	(\$115MM)
Free Cash Flow	\$100MM - \$120MM

**Free Cash Flow Yield of Approximately 7%**

# EBITDA and EBITDA Margin

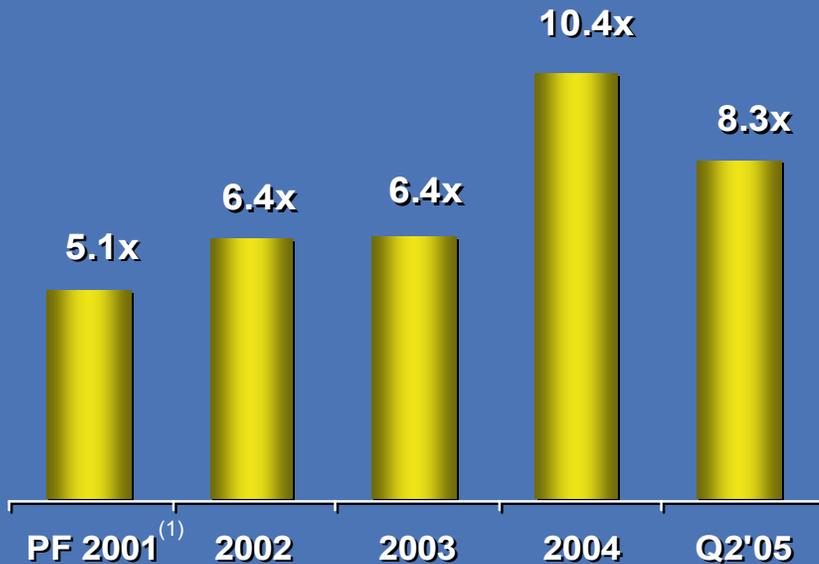


Notes: (1) Excludes nonrecurring charges and credits

# Key Credit Ratios

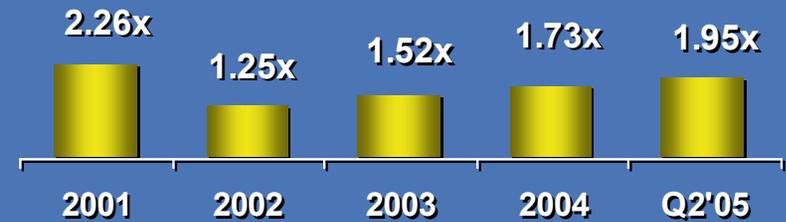
## Consolidated Interest Coverage

(LTM EBITDA / LTM Net Interest Expense)



## Consolidated Leverage Ratio

(Total Debt – Cash / LTM EBITDA)



NOTE: (1) Pro forma for a full-year interest expense for the \$100 million bonds issued December 2001

# Guidance (per July 25, 2005 press release)

<u>QUARTERLY</u>	<u>Q3'04A</u>	<u>Q3'05P</u>
Total Revenue	\$569.6 MM	\$572.0-\$580.0 MM
Diluted EPS	\$0.47	\$0.38 - \$0.42
<u>ANNUAL</u>	<u>2004A</u>	<u>2005P</u>
Total Revenue	\$2.31 BN	\$2.34-\$2.36 BN
Diluted EPS	\$2.28*	\$1.90-\$2.00**

\* Excludes the effects of \$47.0 million in pre-tax charges associated with the Griego/Carrillo litigation and \$4.2 million in pre-tax charges associated with refinancing of the Company's senior credit facility. It also excludes the effects of \$7.9 million in one-time other income associated with the sale of charged-off accounts.

\*\* Excludes the effects of an \$8.0 million in pre-tax credit in the first quarter associated with the Griego/Carrillo litigation. Also excludes the effects of a \$2.0 million tax audit reserve credit associated with the examination and favorable resolution of the Company's 1998 & 1999 federal tax returns.

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# Safe Harbor Statement

*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. 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 rent-to-own 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; the Company’s ability to control store level costs; the Company’s ability to identify and successfully market products and services that appeal to our customer demographic; the Company’s ability to identify and successfully enter new lines of business offering products and services that appeal to our customer demographic; 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 enter into new rental purchase agreements; economic pressures affecting the disposable income available to our targeted consumers, such as high fuel and utility costs; 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, 2004 and its quarterly reports on Form 10-Q for the quarter ended March 31, 2005 and the Form 10-Q for the six month period ended June 30, 2005. 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 presentation or to reflect the occurrence of unanticipated events.*