FINAL TRANSCRIPT

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PRESENTATION

Operator

Good morning and thank you for holding. Welcome to Rent-A-Center fourth quarter year-end 2007 earnings release conference call. At this time all participants are in a listen-only mode. Following today's presentation, we will conduct a Question and Answer Session. (OPERATOR INSTRUCTIONS) As a reminder, this conference is being recorded Tuesday, February 5, 2008. Your speakers for today are Mr. Mark Speese, Chairman and Chief Executive Officer of Rent-A-Center, and Mr. Mitch Fadel, President and Chief Operating Officer. Mr. Robert Davis, Chief Financial Officer, and Mr. David Carpenter, Vice President of Investor Relations.

I would now like to turn the conference over to Mr. Carpenter. Please go ahead, sir.

David Carpenter - *Rent-A-Center - VP of IR*

Thank you. Good morning, everyone, and thank you for joining us.

You should have received a copy of the earnings release distributed after the market closed yesterday, that outlines our operational and financial results that were made in the fourth quarter as well as for the full year for '07. If for some reason you did not receive a copy of the release, you can download it from our website at investor.rentacenter.com. In addition, certain financial and statistical information that will be discussed during the conference call will also be provided on the same website. Also, in accordance with SEC rules concerning non-GAAP financial measures, the reconciliation of EBITDA is provided in our earnings press release under the statement of earnings highlights.

Finally, I must remind you that some of the statements made in this call such as forecast growth in revenues, earnings, operating margins, cash flow, and profitability and other business or trend information are forward-looking statements. These matters are of course subject to many factors that could cause actual results to differ materially from our expectations reflected in the forward-looking statements. These factors are described in the earnings release issued yesterday, as well as our most recent annual report on form 10-K for the year ended December 31, 2006, and quarterly reports on form 10-Q for the quarters ended March 31, 2007, June 30, 2007, and September 30, 2007, as filed with the SEC. Rent-A-Center undertakes no obligation to publicly update or revise any forward-looking statements.

I would now like to turn the conference call over to Mitch. Mitch?

Mitch Fadel - *Rent-A-Center - President & COO*

Thanks, David. Good morning, everyone and thanks for joining us on our fourth quarter earnings call.

As you can see in the press release, total revenue and adjusted diluted earnings per share for the quarter were both within our guidance. Our same-store sales were 1% for the quarter, and we ended the year with a positive 2.1% comp. Overall the fourth quarter was good for us, at a time where many retailers were struggling. Traffic was about what we expected, and in January although not great traffic again was about what we expected as we continue with our we Worry Free Guarantee advertising campaign. Collections continued to improve. In fact, we ran a half a percent better than last fall. Our skips and stolens came down 40 basis points from the summer as a result of getting that delinquency down.

Our inventory held for rent metric came down almost 3% from last quarter, and was 110 basis points lower on a year-over-year basis, another operating metric that's getting back where we want it. The store consolidation plan that we announced in early December is going well and should be substantially completed by the end of the first quarter. We are on track for the additional $2 to $2.5 million of monthly operating profit beginning in the second quarter, and that benefit is now in our annual guidance as given in our press release.

Since summer, the quarter ended up a good one, and although the macro economic environment is still challenging, and somewhat uncertain, we're focused on things we can control. Mainly, I am talking about execution. Execution of our consolidation plan, controlling our delinquencies which are now back where they need to be, controlling of our inventory levels, which is clearly in the right direction, et cetera.

And for that, I would like to thank our 20,000 co-workers for their execution of our plan and their continued commitment to Rent-A-Center success. With that I'll turn it over to the CFO, Robert Davis.

Robert Davis - *Rent-A-Center - CFO*

Thank you, Mitch.

I am just going to spend a few moments updating you on a few of the financial highlights during the quarter and for the year, and then I will turn the call over to Mark. I would like to mention that much of the information I provide whether it is historical results or forecasted results will be presented on a recurring and comparable basis.

As outlined in the press release, total revenues increased during the fourth quarter by 9.3% supported by the same-store sales comp of 1% that Mitch mentioned. Net earnings and diluted earnings per share were $28.1 million and $0.42 respectively, and fell within our guidance range for the quarter of $0.38 to $0.44.

As reflected in the press release, our reported GAAP earnings were impacted by the previously announced restructuring plan as well as the Shafer/Johnson settlement. Once the restructuring is fully implemented, we expect to realize an additional $2 to $2.5 million in incremental operating income on a monthly basis, and as Mitch mentioned, the benefit is now reflected in our annual 2008 guidance.

For the full year of 2007, our revenues increased 19.4% to just over $2.9 billion with same-store sales of 2.1%, while diluted earnings per share equated to $2.01 on a pro forma basis. Our fourth quarter EBITDA came in around $82.7 million at a margin of 11.5%, a 40 basis points increase from the third quarter of 2007, and for all of 2007 our EBITDA increased 8.9% from the prior year to $388.3 million at a margin of 13.4%. This is translated into the generation of over $240 million in operating cash flow during the year, an increase of over $53 million from the prior year.

Because of our strong recurring cash flow, we were able to reduce our outstanding indebtedness through 2007 by approximately $34 million in addition to funding the Perez settlement of over $109 million that occurred during the fourth quarter of last year. Additionally during 2007, we utilized over $83 million of our cash flow to repurchase approximately $3.8 million shares of our outstanding stock. Our remaining capacity for share repurchases relative to our board-approved plan of $500 million is approximately $56 million. I will remind you that we also have covenants from our senior credit facility. Right now our senior leverage ratio is below the required covenant of 2.5 times, and therefore our share repurchase basket according to the senior credit facility is unlimited at this time. We do believe that this combination of debt reduction and share repurchases has been a prudent use of our cash. Overall leverage at year end equated to 3.08 times, while net to book cap equated to 56.9%, down 90 basis points from a year ago. At year end our debt levels were approximately $959 million in senior indebtedness, and $300 million of subordinated notes.

Our fourth quarter and year ending cash balance was just over $97 million. That cash balance along with cash flows thus far in the first quarter of 2008 has enabled us to further reduce our indebtedness by over $60 million since the year end 12/31/07. In terms of our guidance, we do anticipate for the first quarter of 2008 total revenues to range between $738 and $753 million on same-store sales that are expected to be flat to 1% with diluted earnings per share ranging between $0.47 and $0.53. For all of 2008, we expect total revenues between $2.868 billion and $2.908 billion with same-store sales between a range of flat to a positive 2%. Additionally, we are projecting 2008 EBITDA between $390 million and $410 million and diluted earnings per share are now estimated in the range of $2.17 and $2.32. As always, this current guidance excludes any potential benefits associated with potential stock repurchases or acquisitions completed after the date of this press release.

With that financial update, I would now like to turn the call over to Mark.

Mark Speese - *Rent-A-Center - Chairman, CEO*

Thank you, Robert. Good morning, everyone. Thank you for your time in joining us today.

I must say, generally speaking, I am pleased with our overall performance during the fourth quarter. As you read in the press release and heard from both Mitch and Robert, we saw improvements in many of the key areas of our business, particularly when compared to the previous quarter. While there is certainly some seasonality involved here as Mitch mentioned, we've been successful in improving our collections or delinquency numbers now back to our historical levels. We continue to see benefits from the Worry Free Guarantee proposition. We have improved inventory levels and margin improvement and continue to generate strong recurring cash flow. Let me also add how pleased I am concerning the store consolidation plan and the progress we've made to date on that, and I appreciate everyone's hard work and cooperation in executing that plan.

With regards to the financial service business, let me remind you during our last call we stated we would be slowing down so as to improve the results of those that we have, as well as to improve and build out the infrastructure to support additional growth in the future. We've made good improvements on those fronts, yet we still have more to do, particularly as it relates to the back office support. At the unit level, we have seen nice improvements in-store results, be it loan demand, volume, delinquencies, personnel, et cetera. In terms of back office, we are continuing the buildout of automation and refining processes to give us a scalable platform that will allow us to efficiently and cost effectively reach mass. It is going well but taking more time than expected and as such given our expected timetable now to complete that, I anticipate only a handful of new stores this quarter and then being in a position sometime during the second quarter to dial it up. That said, rather than approximately 200 new additions this year, I now expect between 150 and up to 200 new additions. I do remain very excited about the long-term opportunities of that business, again, this is about building a scalable platform to ensure the future growth and success of that.

If I may turn my attention to the settlement, again as we announced yesterday, the company has reached an agreement in principle to settle the wage and hour class claims in the Shafer/Johnson case pending in California. Under the terms of the prospective settlement, we have agreed to pay up to an aggregate settlement amount of $11 million. This amount covers attorney's fees, plaintiff's litigation costs, settlement administration costs, and settlement payments to the class members. The company is entitled to keep any moneys not distributed to class members under the terms of the prospective settlement. This prospective settlement is subject to the parties entering into a definitive documentation with the plaintiffs and obtaining court approval. We believe this settlement is fair and in the best interests of the company and its stockholders.

As we look forward, it appears 2008 is likely to have its ups and downs as well. We remain focused on our customers and their in-store experience. We are being aggressive on enhancing the operations, revenue and profitability of our stores. At the same time vigilant in our efforts to control costs, manage our resources wisely and foster an environment where our management team and co-workers innovate and compete on a daily basis. The need and desire for our products and services remains strong, and with some of our recent initiatives, our strong balance sheet and cash flows, I believe we are well-positioned as we start the new year. As always, we appreciate your interest in and support of the company.

And with that, we're happy to open the call up to questions.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS) Your first question comes from Arvind Bhatia from Sterne, Agee.

Arvind Bhatia - *Sterne, Agee & Leach - Analyst*

I was wondering if you can talk about the consolidation a little bit more in particular, I don't know if it is too early to talk about this, but are you able to judge how much revenue or customers you're keeping from the stores that you're consolidating?

Mitch Fadel - *Rent-A-Center - President & COO*

It is too early. Good morning, Arvind. First of all, this is Mitch. It is too early to tell. We're in the middle of the consolidation. A lot of the stores have transferred all their customers out, but it is too early to tell, and we're going to -- we don't have any reason to believe we won't be on our original forecast, and we haven't seen anything that would change our opinion of our original forecast which translates to the $2 to $2.5 million of operating profit, probably beginning -- not probably, but we believe beginning in the second quarter.

Arvind Bhatia - *Sterne, Agee & Leach - Analyst*

Okay. And then on the same-store sales for the quarter, can you provide some color on how much of the 1% of the was driven by pricing versus traffic, and then in the 0 to 2% for 2008, how much benefit are you getting from Rent-Way in your estimation?

Mitch Fadel - *Rent-A-Center - President & COO*

Well, in the first part, I don't have that in front of me. It was a mix on the same-store sales between pricing and I guess what you call traffic from a units on rent standpoint. It was a mix. I don't have the break down in front of me, but they were both up, and so we continue to get a little bit from a pricing standpoint, and year-over-year a little bit on the unit gain side. As far as '08, how much the Rent-Way stores are helping us, they certainly would -- we expect them to be in the comp at a higher rate than the core stores, not dramatically, and it is only about 20% of our stores, but they'll come in at a little bit higher than the core stores, but when you layer in only 20% of stores, I think probably the most impact they've had was 1%, flat to 2% like we've got in our guidance. If we're at 2%, probably half of that would be driven by those Rent-Way stores. They'll be higher than 2%, but again only 20% of stores, so no more than half of that 2% in the guidance.

Robert Davis - *Rent-A-Center - CFO*

Arvind, this is Robert. What we indicated in the previous call is reconciling the high side of that guidance range for '08, 2% comp that we were able to achieve the high side of that, we expect 1% to come from Rent-Way, a half percent to come from the core and another half a percent from the financial services rollout.

Arvind Bhatia - *Sterne, Agee & Leach - Analyst*

No change there?

Robert Davis - *Rent-A-Center - CFO*

Pardon me?

Arvind Bhatia - *Sterne, Agee & Leach - Analyst*

No change in that thinking, then?

Robert Davis - *Rent-A-Center - CFO*

No change in that expectation at this point.

Arvind Bhatia - *Sterne, Agee & Leach - Analyst*

Got it. Last question for you, Robert, can you talk about CapEx expectations for 2008 and in general, how much debt do you expect to pay down for the year for 2008?

Robert Davis - *Rent-A-Center - CFO*

Well, from a CapEx perspective, we've got about $70 million that we're estimating right now, $15 million of which you would define as expansion CapEx between new rent to own stores that we are expecting to open in various markets and/or the financial services ramp up, so about $15 million of that $70 is for expansion, the other $55 million is roughly maintenance CapEx for, as you know, 20% of our store leases renew every year, so we do paint, carpets, and things of that nature, and then some additional corporate IT renewing systems and so forth, so of the $70 million, about $55 would be considered maintenance, and about $15 would be considered expansion.

Regarding debt reduction for '08, obviously we always look at managing our cash flow according to the state of the business and what's going on in the environment. We've already paid down $60 million so far this year. We have no quote unquote stated goals of debt reduction, however, we are managing our leverage covenants appropriately and according to what we feel is the most prudent use of our cash.

Arvind Bhatia - *Sterne, Agee & Leach - Analyst*

Thank you and good quarter.

Robert Davis - *Rent-A-Center - CFO*

Thank you.

Operator

Your next question comes from Dennis Telzrow from Stephens Inc.

Dennis Telzrow - *Stephens Inc. - Analyst*

A couple quick questions. Robert, any thoughts on free cash flow this year?

Robert Davis - *Rent-A-Center - CFO*

Yes. Right now, the EBITDA range that I mentioned earlier in my guidance, $390 to $410 million, that will translate into roughly $155 to a range of $175 million in free cash flow. That's after CapEx but before acquisitions or other uses of that cash, so regarding our indebtedness and future share repurchase and things of that nature obviously, Mark alluded to it again and emphasized the point our strong recurring cash flow gives us confidence in the way we manage the business and will continue to do so.

Dennis Telzrow - *Stephens Inc. - Analyst*

So, guidance for Q1 obviously does not incorporate the benefits of the store consolidation, and then we see it Q2 and on. Is that the way I read it?

Mitch Fadel - *Rent-A-Center - President & COO*

Pretty much. It could be a little bit in the first quarter as it is not like the $2 to $2.5 million is all in one day, but really it will be certainly fully loaded not until the second quarter. There was a little bit in the first quarter, but then we expect that run rate by the beginning of the second. There is a little in the first quarter, and by the beginning of the second quarter we expect the run rate at $2 to $2.5.

Dennis Telzrow - *Stephens Inc. - Analyst*

Any thoughts on all the pluses and negatives going on in the tax refund, extra tax refund, this year so tax refund is probably a little later in the quarter and I guess if we get this other tax refund in the summer you would -- what's your reflection on what happened in '01 when we saw that in August?

Mitch Fadel - *Rent-A-Center - President & COO*

So far this quarter, we're not seeing anything different than past years. We're seeing very normal trends from a payout standpoint, early purchase options, so presumably from tax refunds. We're not seeing any delay.

Robert Davis - *Rent-A-Center - CFO*

Primarily, Dennis, because as we understand it, that delay in tax refunds are mainly for those individuals that would qualify for AMT tax, and our customers aren't in that tax bracket, so we're not seeing that impact.

Mitch Fadel - *Rent-A-Center - President & COO*

Some of the forms that you have to put are more for long returns versus short returns , right, so not seeing any change. As far as what could happen this summer, we've talked a little bit about it, wait and see what Washington ends up with to try to speculate with what that plan would look like now, we haven't spent a lot of time speculating. Once we know what the plan is, we would certainly put a game plan around it to take advantage of it to make the most advantageous for Rent-A-Center that we can, but right now to spend time just based on a news story when it is not finalized yet, we haven't spent much time coming up with a game plan for that. It's all speculation at this point. But on the first quarter, nothing different than past years so far.

Dennis Telzrow - *Stephens Inc. - Analyst*

Okay. Last question, Mark, you talked about building the back office for the financial service segment. Is that primarily collections or anything else in that back office?

Mark Speese - *Rent-A-Center - Chairman, CEO*

No. I wouldn't say it is primarily collections. It is really just some of the IT platforms between the POS system at the store, the cash recycler that we use at the store, how that reconciles back to all the reporting that we use to get daily metrics, be it collections and/or otherwise.

It has really been IT intensive, and to some extent the way it is being done is labor intensive, and the idea of what we're trying to do through technology is to streamline that as we think about realtime information and access to realtime information as importantly being able to take away some of the human capital requirements when you think about building this thing out to scale, if we've got to add 10 more people as an example for every 30 stores, and I am making that number up, that's not a very cost efficient or effective platform, and that's really what we're working on is having systems and programs and IT in place that will allow us to again have lots of stores that will still give us realtime information without incurring lots of additional costs to support it.

Dennis Telzrow - *Stephens Inc. - Analyst*

Okay. Thank you very much.

Mark Speese - *Rent-A-Center - Chairman, CEO*

Thanks.

Operator

Your next question comes from Carla Casella from J.P. Morgan.

Carla Casella - *J.P. Morgan - Analyst*

Wondering if you can talk a bit about any -- the charge-offs or the trend in the finance business, charge-offs or delinquencies? I don't know how the best metrics you look at.

Mark Speese - *Rent-A-Center - Chairman, CEO*

Robert, you've got some of that.

Robert Davis - *Rent-A-Center - CFO*

Yes.

Mark Speese - *Rent-A-Center - Chairman, CEO*

When we talked in the third quarter, they picked up a little bit just like the rent to own business where we made really good improvements in the fourth quarter.

Robert Davis - *Rent-A-Center - CFO*

Our stated goal or company standard for delinquency on the financial services business is 15.9% delinquency. As Mark indicated, we did have a tick up in that in the third quarter similar to the rent to own business. Our overall losses for the year were about 23%. I think the industry's 25 to 26%. Our desire is to have that well below 20%, and the delinquency improvements we made in the fourth quarter were running below that 15.9% standard as we speak, made that improvement in the fourth quarter, and it is turning into lower losses now as we move forward, and in fact for January our losses were under 19% for the month of January. So seeing nice improvements in that regard, and Mark mentioned that the unit level we're seeing good improvements in volume, delinquency, charge-offs, et cetera, and we feel good about the improvements they made.

Mark Speese - *Rent-A-Center - Chairman, CEO*

I think a point of clarification if I may, Carla, or maybe understanding, the delinquency goal again, that 15.9, that's past due. The losses translates into a different number, and our goal is 18%, just so you understand the difference between delinquency and loss, not one in the same.

Carla Casella - *J.P. Morgan - Analyst*

Okay. Great. The goal in the losses is you said 18 or 19?

Mark Speese - *Rent-A-Center - Chairman, CEO*

18.

Carla Casella - *J.P. Morgan - Analyst*

18.

Mark Speese - *Rent-A-Center - Chairman, CEO*

We were slightly under 19 in January, so to Robert's point, the improvements we made on the delinquency number during the fourth quarter and thus far translating into lower losses.

Mitch Fadel - *Rent-A-Center - President & COO*

And 23 last year, so being --

Carla Casella - *J.P. Morgan - Analyst*

And industry is 25, 26?

Mitch Fadel - *Rent-A-Center - President & COO*

Right. That's an internal goal that 18, 19%. That's the internal goal to get down to 18%. We believe we can get there, but it is a lot lower goal than what the industry standard is.

Carla Casella - *J.P. Morgan - Analyst*

Okay. On the litigation front, are there any other outstanding cases that you're working on right now that we could see resolution for this year?

Mark Speese - *Rent-A-Center - Chairman, CEO*

If you go to the disclosures, this was really I think the last -- there is another one out there styled Colon that's been there for 10-plus years. We assumed with the Thorn acquisition in '98, but from a material litigation perspective if you will, there is not much else I think that's in the disclosures, so I must say when I think about as it relates to that, we made some very good improvements on that front over the last couple of years and have obviously been focused on whether it is control systems, policy and such, that would hopefully get us to this stage, so with this recent announcement concerning California, I am feeling quite good at the moment where we are on that front.

Carla Casella - *J.P. Morgan - Analyst*

Okay. That's great. One last question. In terms of signing up new customers, or new customers coming into the stores, are you seeing any trends? You mentioned earlier in the year that you were seeing a slowdown, and I guess new rental agreements. How does that stand and how has that trended, I guess month to month during the quarter?

Mitch Fadel - *Rent-A-Center - President & COO*

Certainly, overall in the fourth quarter it was about what we expected, and as I mentioned in my prepared comments, January was about what we expected from a traffic standpoint, so when we were talking about it being slow back in the summer, really I guess a timeframe between June and September was the slowest time for us.

Mark Speese - *Rent-A-Center - Chairman, CEO*

I know we mentioned on the October call that October turned out to be one of our better months. In quite a while.

Robert Davis - *Rent-A-Center - CFO*

Right.

Mitch Fadel - *Rent-A-Center - President & COO*

Right. You could see that in our comp number because we had a flat comp forecast ended up at 1%. October was better than anticipated. We talked about that in the last call. Overall for the fourth quarter, kind of leveled out, and I would call it more of what we anticipated when you put all three months together, October was a little better than we expected, but when I layer all three, I would say for the quarter it was about what we expected traffic to be and the same for January.

Carla Casella - *J.P. Morgan - Analyst*

Do you attribute that to your own efforts or economy or are you seeing pockets where there is more strength in others economically?

Mitch Fadel - *Rent-A-Center - President & COO*

I think it is a combination of certainly the economy. That has a lot to do with it. We work hard every day on trying to drive more traffic primarily through our new advertising campaign of the Worry Free Guarantee, which we rolled out this fall as well as some other tweaks we do to the advertising, how we spend our money, whether we spend it in saturation mailing versus direct mailing, and whether we spend it on cable TV or direct response type of TV. There are a lot of different things we try to move the needle, and we don't just sit and either hope for the economy or hope for our customer to get stronger and be able to drive more traffic. So the economy is part of it, but from a marketing and advertising standpoint, we work on a lot of things to drive it. I would say the short answer to your question is the combination of the economy and our own efforts.

Carla Casella - *J.P. Morgan - Analyst*

Okay. Great. Thanks a lot.

Mitch Fadel - *Rent-A-Center - President & COO*

Thanks, Carla.

Operator

Your next question comes from John Baugh from Stifel Nicolaus.

Mark Speese - *Rent-A-Center - Chairman, CEO*

Good morning, John.

John Baugh - *Stifel Nicolaus - Analyst*

Nice quarter. My question is not so much about the state of Virginia but to make it general, but here in the State of Virginia, the house and the Senate are talking about capping pay day lending at a 36% interest rate. The question is essentially what's going on around the country? I guess it is a state by state debate on a regulatory front? I guess you would have to answer that generally since we can't afford to talk about the 20 or whatever out states you work in, but I am just wondering what you're seeing there?

Mark Speese - *Rent-A-Center - Chairman, CEO*

Well, I think you're right. It is state by state, and as you heard us say, in terms of our growth initiatives, and you're only focusing on or looking at states that, A, have enabling legislation today, and, B, states that we don't think are at risk with that legislation. The matter is being viewed or reviewed in other states, and you said it. There is different views in those different states. The industry is working hard through the trade association and other, it is really about education and awareness and understanding the value proposition and the need for it, and that's what we and the industry are doing. There is work that has to be done there. Might Virginia enact that legislation? I am not going to speculate, but there is many other states that are very comfortable with what they have in place, and I think you may know, and I will draw this out because I think it helps make the point.

There are a couple of states that do not have enabling legislation and in fact perhaps took it away, Georgia being one, and now there are some studies coming out that show that in fact the consumers were better off when the proposition was available to them. They are showing an increase in delinquencies on other debt. They're showing an increase in bankruptcies and so forth, and so I think again as time and awareness and education, it is going to take some work, but we've got those kinds of compelling stories and facts if you will that I think can go a long way to help protect legislation that's there or in Virginia or other cases create a safe environment for the consumer and for the providers of the product, but it is a state by state deal.

Mitch Fadel - *Rent-A-Center - President & COO*

There is only a couple of hot spots actually probably, feels like less than a year ago, but there is a couple of hot spots, Virginia being one and New Hampshire being another one but nowhere where we have stores currently out there are one of those hot spots right now, John.

John Baugh - *Stifel Nicolaus - Analyst*

Okay. Thank you. When I read the press release, the $60 million of debt reduction that's occurred since the start of the year, I guess that's not all from operations. You've used your cash to some degree. Can you split out roughly how much cash have you used to reduce debt?

Robert Davis - *Rent-A-Center - CFO*

It would be a speculation, John. If you look at our cash balance last year, it was roughly $92 million or something like that at the end of the year, so it went up $5 million balance sheet date to balance sheet date. I would say the majority of it is through operating cash flow. As you think about just maintaining cash on hand to operate the business, we like to target around $70 million, so if you wanted to say $20 or $25 million of that was through cash on hand, that would be a safe assumption, but we just don't have that breakout in front of us for January yet.

John Baugh - *Stifel Nicolaus - Analyst*

Okay. In your free cash flow guidance which by the way thank you for that for '08, are you going to have to fund most likely this $11 million settlement in '08 with cash and is that assumed in there or what if any other lingering cash settlement payments need to be done or have they all been made at this point with exception of the $11 million?

Robert Davis - *Rent-A-Center - CFO*

The free cash flow estimate I gave, $155 to $175 million, that does exclude the $11 million anticipated funding of this Shafer/Johnson matter. However, I remind you, and we don't have the final number yet, we will be receiving some renumeration from the Perez settlement from last fall about half of the unclaimed funds will come back to the company. We're estimating that number right now. It could be around $8 million, and also we had previously mentioned the California AG settlement which is fully reserved for in our balance sheet but has yet to be funded. That's another $9.5 million. So that will probably offset the Perez reversion, so net of it all is the $11 million will come out of the $155 to $175.

Mark Speese - *Rent-A-Center - Chairman, CEO*

And, yes, we do expect to pay in '08.

John Baugh - *Stifel Nicolaus - Analyst*

Great. Thanks for that color.

Mitch Fadel - *Rent-A-Center - President & COO*

Thanks, John.

Operator

Your next question is from Emily shank with Lehman Brothers.

Mark Speese - *Rent-A-Center - Chairman, CEO*

Good morning.

Emily Shanks - *Lehman Brothers - Analyst*

I wanted to see, we've done a number of channel checks and frankly I have just been -- it has been a little difficult for me to discern, is it a higher promotional environment for you guys or is it really just greater advertising around the Worry Free Guarantee, and I was hoping you could give us some color on that specifically in the month of January?

Mitch Fadel - *Rent-A-Center - President & COO*

January from a promotional standpoint, we ran the same promotion we have run for five or six years now which is our highest -- it is the month where we are the most promotional because people are getting over the holiday bills, and the January blues so to speak, so we do heavy promotion in January, but it is the same promotion we've run for five years or six years with one caveat, the Worry Free Guarantee built in because that is our new advertising campaign. With no more promotional than in the past. I think it is getting noticed more, the Worry Free Guarantee advertising is getting noticed more. It is just my intuition and just from talking to a few people, but no more promotional than normal.

Emily Shanks - *Lehman Brothers - Analyst*

Great. That's very helpful. Just a second and final question. As we think about and you touched slightly on this in the prior Q&A, but as you look at share repurchases versus debt pay down, are you specifically favoring one over the other?

Mark Speese - *Rent-A-Center - Chairman, CEO*

I wouldn't say we're favoring one over the other. We have always looked at and I think Robert alluded which is the best way to deploy the cash at that point in time, and obviously there is a host of things that have to be taken into consideration at that point in time be it share price, cost of capital, et cetera, and I am confident or comfortable with where we are from the debt perspective and covenants, and at the same time, I think you know we've been pretty conservative on how we've managed the balance sheet. We've obviously as of late have chosen to pay some of the debt down, and I think that's been a good use of cash. Going forward, I think as we've done in the past we'll look at a host of different things at that particular point in time and determine what's the best use.

Emily Shanks - *Lehman Brothers - Analyst*

Great. Thank you.

Operator

Your next question comes from Joel Havard from Hilliard Lyons.

Joel Havard - *Hilliard Lyons - Analyst*

Good morning, everybody. My question is really hoping for some elaboration or color about the picture of G&A expense both total and on a per store basis. If you could walk us through what you think '08 is going to look like as we get through the consolidation effort and then how '09 would compare to that?

Robert Davis - *Rent-A-Center - CFO*

Well, when you talk about G&A, obviously on the income statement we provided in our press release, that's really talking about the back office, corporate expense as well as the regional directors out in the field but does not include the store level costs or the line supervisor or district manager. As you think about the G&A expense, obviously we did improve that margin in the fourth quarter by 20 basis points from the third quarter. We expect that to be flat on an overall percentage basis.

As you think about 2008, we came in at 4.3% for '07, expect that to be roughly in '08, and then as you think about 2009, we would see some enhancements in that, primarily through the ramp up of financial services, there is some investment in the back office for the financial services business, and so we expect that margin to be fairly in line or maybe tick down slightly in '09 and beyond. If you think about the store level, G&A expense or what we call salaries and other, that improved 40 basis points in the fourth quarter and in the way that we look at it, salary is another on store revenue, not total revenue. From 60.6 to 60.2, we gave a guidance range in our forecast about how to think about that in terms of the impact to consolidation plan, sales guidance and so forth, and at this point our thoughts are embedded in that guidance.

Mitch Fadel - *Rent-A-Center - President & COO*

You're right Robert. That's where you really see the benefit of the consolidation plan is in the salary and other line. Robert mentioned 40 basis points improvement in fourth quarter for the year. Those were just about 59% of store revenue in this year, guidance next year is 57, and that's really where you see the benefit of the consolidation.

Robert Davis - *Rent-A-Center - CFO*

Joel, just one other point. In the '08 guidance that we gave at the end of the third quarter, prior to announcing the consolidation plan, our expectation for salaries and other were 58.5% to 60%. Now our guidance for '08 that incorporates the consolidation plan that's 150 basis points lower than the prior guidance, so 57% to 58.5% from 58.5% to 60% in our previous announcement. We do expect the 150 basis point improvement in that line item.

Joel Havard - *Hilliard Lyons - Analyst*

Great. Thanks. Final question. Given how much you absorbed in Q4, what carry over consolidation expense should we look forward in Q1?

Mitch Fadel - *Rent-A-Center - President & COO*

No carry over. I think it did -- there was some expense in the fourth quarter of the program. As we go through the whole first quarter, there may be some in January as we continue to plan but by March we're starting to see some of the benefits. I think it is pretty much a wash and maybe slightly helpful in the first quarter and by the second quarter, we're in that run rate of $2 to $2.5 million a month.

Joel Havard - *Hilliard Lyons - Analyst*

Alright. Thanks so much. Good luck, guys.

Operator

Your next question comes from Henry Coffey from Ferris, Baker Watts.

Robert Davis - *Rent-A-Center - CFO*

Good morning, Henry.

Henry Coffey - *Ferris, Baker Watts, Inc. - Analyst*

Good morning. It obviously looks like you're shrinking inventory while still seeing favorable development in sales. When looking at that, the store closings, if we were to somehow adjust for the store closings, would that ended you have in-store inventory of about 735, you had inventory on rent of about 202. I hope I am picking up the right number. There I am. That total reduction, how much of that is attributable to the store closings and is most of that just kind of a function of the way the balance sheet would have looked regardless?

Mitch Fadel - *Rent-A-Center - President & COO*

I think most of it is a function of the way it would have looked regardless. It was a little bit high at the end of the third quarter, and we talked before how we could depending when you order the inventory and if the inventory comes in late September versus the first week of October, it affects that number because it is just a snapshot in time number. But we control that by how much we order. The stores have plenty of inventory. Fourth quarter it goes down because business is better, there is more traffic.

First quarter, generally, it goes down even a little more from that because of the income tax returns, more money, so I think if anything a consolidation plan affects a number negatively if you think about the fact that we've got 280 stores, if the stores close, we have to do something with the inventory and we spread it around to the other stores that are in that area and sell it and do those kinds of things, but generally it would have come down anyhow just based on the purchasing program and the way the seasonality in the business works.

Henry Coffey - *Ferris, Baker Watts, Inc. - Analyst*

The balance on rent, the merchandise in the store came down about 10% which is obviously --

Mark Speese - *Rent-A-Center - Chairman, CEO*

Henry, I think you're obviously looking at the year-over-year on the balance sheet.

Henry Coffey - *Ferris, Baker Watts, Inc. - Analyst*

Right. Yes, I am.

Mark Speese - *Rent-A-Center - Chairman, CEO*

I think a good comparison, and you may not have it in front of you. If you look at the third quarter compared to the fourth, you'll see the on rent actually went up which you would expect. You know, the third quarter was a difficult quarter, lost lots of units on rent. Those by default went to inventory held for rent, and come the fourth fourth quarter, pickup in business, inventory on rent is actually up sequentially. I don't recall the amount.

Henry Coffey - *Ferris, Baker Watts, Inc. - Analyst*

In analyzing this thing we better factor in the September results as well is what you're suggesting.

Mitch Fadel - *Rent-A-Center - President & COO*

It is better to look at it sequentially.

Mark Speese - *Rent-A-Center - Chairman, CEO*

You'll see how the on-rent actually went up and the held for rent went down, and that was through a combination of increase in the on-rent, slowing down some of the purchases because we were over inventory given the soft third quarter, and then your normal sales and liquidations or disposals of inventory that you would have at any given time anyway.

Henry Coffey - *Ferris, Baker Watts, Inc. - Analyst*

I will take a look when I get the numbers in front of me. Some of these are just small item. What were your end of period share count at the end of '06 and what is it today?

Robert Davis - *Rent-A-Center - CFO*

At the end of '06 on diluted basis that was 70 --

Henry Coffey - *Ferris, Baker Watts, Inc. - Analyst*

No, shares outstanding.

Robert Davis - *Rent-A-Center - CFO*

The basic shares outstanding, you are excluding --

Henry Coffey - *Ferris, Baker Watts, Inc. - Analyst*

Do you just have the straightened of period shares out?

Robert Davis - *Rent-A-Center - CFO*

We don't have that in front of us.

Henry Coffey - *Ferris, Baker Watts, Inc. - Analyst*

If you could call me back off line and get me that, that would be helpful.

Robert Davis - *Rent-A-Center - CFO*

Okay.

Henry Coffey - *Ferris, Baker Watts, Inc. - Analyst*

Finally, looking at some of this free cash flow information you provided for us, the $175 million does not include any movement on the litigation front, any cash that goes out the door there. Does it also include or not include the expected cash outflows from the store closings that you mentioned back in December?

Robert Davis - *Rent-A-Center - CFO*

It does not include the impact of cash outflows we previously talked about and primarily that's lease buyouts is the vast majority of that.

Henry Coffey - *Ferris, Baker Watts, Inc. - Analyst*

Right but that just occurs over time.

Robert Davis - *Rent-A-Center - CFO*

Right. It occurs over time, and I think we talked about occurring over a 12 to 18-month timeframe as we're negotiating out of leases.

Mark Speese - *Rent-A-Center - Chairman, CEO*

And before they come to the conclusion and we're just making monthly payment.

Henry Coffey - *Ferris, Baker Watts, Inc. - Analyst*

I am just going through the minutia of some of our evaluation, but looks like very, very favorable trends on the revenue front as well as a balance sheet that's getting more and more healthy and more and more liquid. Finally on the delinquency issues, you said sort of in line with historical results can you give us a little more color on that?

Mitch Fadel - *Rent-A-Center - President & COO*

Well, in the fourth quarter actually we're lower than last year.

Henry Coffey - *Ferris, Baker Watts, Inc. - Analyst*

Okay.

Mitch Fadel - *Rent-A-Center - President & COO*

Our goal is to be at 5.9% or under 6, 5.99% on Saturday, accounts one or more days past due. In the fourth quarter we're about 6.3 which includes a couple of weeks around Christmas which goes up around --

Henry Coffey - *Ferris, Baker Watts, Inc. - Analyst*

Right.

Mitch Fadel - *Rent-A-Center - President & COO*

That was pretty good and actually better than last year. Of course this time of year now we get income tax returns --

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Henry Coffey - *Ferris, Baker Watts, Inc. - Analyst*

And it all reverses.

Mitch Fadel - *Rent-A-Center - President & COO*

Well, we ran lower than 5.9 this past Saturday, below our goal because there is more money with these tax refunds and so forth, so it is at or below historical levels at this point.

Henry Coffey - *Ferris, Baker Watts, Inc. - Analyst*

I know in this bleak environment we shouldn't be talking about new products, but you've got an awful lot going on on the new product front. How is that working for you with a large screen TVs and things?

Mitch Fadel - *Rent-A-Center - President & COO*

The flat panel TVs are certainly starting to have an impact on our electronics numbers. Our electronics percentage of revenue, I think in '07 was actually went up from '06 for the first year in four or five years maybe that it actually went up as a percent of our overall revenue, so starting to have an impact, not so much on more rentals because we always had big screen TVs, but they're a little higher ticket price so helped from that standpoint, but for '07 for the first time electronics went up like I said. Starting to have an impact, the deflation there is so far has been good for us. They're down in the price range where we can bring in sizes up to 60" at this point, so we can bring in the larger screen sizes because of that deflation, and it is certainly a help at this point.

Henry Coffey - *Ferris, Baker Watts, Inc. - Analyst*

All right. Thank you. Good quarter.

Operator

Your next question comes from Jordan Hymowitz from Philadelphia Financial.

Mitch Fadel - *Rent-A-Center - President & COO*

Good morning, Jordan.

Jordan Hymowitz - *Philadelphia Financial - Analyst*

Good morning. Hello. Can you hear me?

Mitch Fadel - *Rent-A-Center - President & COO*

Yes.

Jordan Hymowitz - *Philadelphia Financial - Analyst*

Couple questions. One, what was the charge off number in the quarter?

Robert Davis - *Rent-A-Center - CFO*

$38.7 million is what we recorded for the -- are you talking about the consolidation plan or -- what charge off number are you referring to, Jordan?

Jordan Hymowitz - *Philadelphia Financial - Analyst*

The number that was 3.2% last quarter.

Mitch Fadel - *Rent-A-Center - President & COO*

We ran into -- as I said we ran 40 basis points below that.

Jordan Hymowitz - *Philadelphia Financial - Analyst*

So 2.8%.

Mitch Fadel - *Rent-A-Center - President & COO*

Correct.

Jordan Hymowitz - *Philadelphia Financial - Analyst*

Next question is does your guidance include the $60 million in debt retirement in the quarter?

Robert Davis - *Rent-A-Center - CFO*

Not at this point.

Jordan Hymowitz - *Philadelphia Financial - Analyst*

I am sorry, so it does not include that number?

Robert Davis - *Rent-A-Center - CFO*

Not at this point.

Jordan Hymowitz - *Philadelphia Financial - Analyst*

Okay. Third is on the regulatory front, are there -- I have not seen the house financial services committee at all mention pay day lending on a national front. Has there been any language or verbiage in that regard in the house of representatives where most of these things seem to emanate from at this point?

Mark Speese - *Rent-A-Center - Chairman, CEO*

Not that I am aware of.

Mitch Fadel - *Rent-A-Center - President & COO*

It's been talked about. There has been legislation talked about that we would support and some from an angle that we probably wouldn't support, there has been talked about. But certainly isn't a hot topic or anything pending on that front.

Jordan Hymowitz - *Philadelphia Financial - Analyst*

Final question is the last time you give guidance on financial services, you said it would adversely impact the year by $0.05 to $0.07. Is that still the plan?

Mitch Fadel - *Rent-A-Center - President & COO*

It is all about when we open them and as Mark talked about you know, it is getting the back office and some of the IT issues completed and scalable is what we're focused on now. It depends when we get back to opening them, and if it goes down 150, that timing can hurt a little bit because we open them later in the year and they're dilutive at the beginning and you don't get the positive on the back end, and the latest numbers we look at, I would inch that up to $0.06 to $0.08. Our model now again depending on when we open them some of it is a timing issue, but I'd inch that up to $0.06 to $0.08 at this point, Jordan.

Jordan Hymowitz - *Philadelphia Financial - Analyst*

Thank you very much. I appreciate the great answers.

Robert Davis - *Rent-A-Center - CFO*

Thanks, Jordan.

Operator

Your next question comes from Andrew Berg from Post Advisory Group.

Andrew Berg - *Post Advisory Group - Analyst*

Stock buy backs, you indicated under the bank credit facility you have more than enough capacity to buy back stock. What's the ability under your senior subordinated notes under the strict payments basket?

Robert Davis - *Rent-A-Center - CFO*

Roughly $130 million.

Andrew Berg - *Post Advisory Group - Analyst*

$130 million of existing availability?

Robert Davis - *Rent-A-Center - CFO*

Yes.

Andrew Berg - *Post Advisory Group - Analyst*

Okay. Thank you very much.

Mitch Fadel - *Rent-A-Center - President & COO*

Thanks, Andrew.

Operator

Your next question comes from Bill Baldwin from Baldwin Anthony Security.

Robert Davis - *Rent-A-Center - CFO*

Good morning, Bill.

Bill Baldwin - *Baldwin Anthony Security - Analyst*

A couple of questions. First, can you offer some insight as to what is causing the depreciation as a percent of rental revenues to kind of be inching up here at this point in time, kind of happened through 2007, looks like it is in your guidance for 2008. Kind of what are the dynamics taking place there?

Mitch Fadel - *Rent-A-Center - President & COO*

A couple of things. One, the summer, the business being under pressure, certainly drives that up a little bit as you price and term products on the business under pressure that's going to inch up a little bit. What you have to do to drive business.

Secondly, the price changes we made. You remember this summer, we talked about how we're raising the weekly or monthly rate a little bit, lowering the term which gives an overall price decline to the consumer, but more dollars faster for us if you raise the weekly or monthly price but lower the term overall you have a lower cash price for the consumer, but more dollars per month coming in from gross margin standpoint, so that has something to do with it. You'll recall, Bill, we did that back in 2001, and it worked very successfully for us, and we like the results so far from this plan, so it is more dollars but a little bit higher percentage of costs even though the gross dollars are higher, so those are the two things affecting that number a little bit.

Bill Baldwin - *Baldwin Anthony Security - Analyst*

But you have to depreciate your merchandise over a little bit of shorter period of time then?

Robert Davis - *Rent-A-Center - CFO*

Correct.

Mitch Fadel - *Rent-A-Center - President & COO*

Of course, if you get more dollar in a short period of time, that is a good thing but on paper that depreciation percentage will be a little higher.

Bill Baldwin - *Baldwin Anthony Security - Analyst*

Okay. Okay. And second question, in terms of your promotions and advertising and so forth, are you seeing any measurable impact or is it possible to measure any impact of kind of trickle down effect from customers coming in that perhaps hadn't been doing business with Rent-A-Center or rent-to-own type stores and due to the turmoil in the credit markets and so forth, they find themselves now in a position where they need the services of renttoown or are you able to identify any new customers from that standpoint?

Mitch Fadel - *Rent-A-Center - President & COO*

You know, it is hard to identify where they're coming from. Right now, we get lots of new customers every month, and it is hard to identify where they're coming from although I can tell you from an advertising standpoint we're cognizant of that fact, and do you advertise at a little higher demographic as the credit -- as credit card tighten up, does that mean we advertise to a higher demographic, and we're testing some of those things, and in general just advertising to a wider range of demographic to try to add more new customers, so can't tell you that we're seeing that because it is hard to tell where the customer comes from, but I can tell from you a marketing and advertising standpoint it is one of the things we look at over time.

Bill Baldwin - *Baldwin Anthony Security - Analyst*

Mitch, are you trying to reach that customer with the new advertising through mailers, through your mailers or through electronic media? How are you trying to reach the little bit higher level customer?

Mitch Fadel - *Rent-A-Center - President & COO*

Both, in direct mail, television, internet, website, and then using different search engines. Again, the Worry Free Guarantee being the message on all of that is to give people that haven't tried us before the fact that they can do it without order, money back guarantee and so forth. If you think about a trial offer, what's better than a money back guarantee if you're not satisfied.

Bill Baldwin - *Baldwin Anthony Security - Analyst*

Right.

Mark Speese - *Rent-A-Center - Chairman, CEO*

You could certainly target that customer easier if you will through print as opposed to the broadcast in which case we're reaching the whole -- you can mix a little on what station you're on or what program you're on. Most of it is probably being targeted through print.

Bill Baldwin - *Baldwin Anthony Security - Analyst*

Over time as you use these different channels to reach this type of customer, are you set up or will you be able to measure the effectiveness of the different types of advertising you're using to see how effective one is versus the other? Is there ways to measure that?

Mitch Fadel - *Rent-A-Center - President & COO*

There is. We can see who the customer is that comes in and over time do different studies. It is easier to look at the return on investment when you're talking about the internet or direct mail pieces and so forth. Television is always the hard one to really gauge what it is doing for any advertiser. That's the hardest one to gauge although we've got some different ways to look at it. We used an outside consulting firm to look at how we spend our money, and they've gotten their results and are tweaking our advertising a little based on that so we have a lot of different way to say measure what you're talking about, Bill. Television still being the one that is a little bit hard to measure the return on that investment.

Bill Baldwin - *Baldwin Anthony Security - Analyst*

Okay. And last question, as far as overall spending on advertising 2008 versus 2007 as a percentage of your store revenues, is that going to be about flat year-over-year?

Mitch Fadel - *Rent-A-Center - President & COO*

Yes.

Robert Davis - *Rent-A-Center - CFO*

Yes.

Bill Baldwin - *Baldwin Anthony Security - Analyst*

Okay.

Mitch Fadel - *Rent-A-Center - President & COO*

It is stereo.

Bill Baldwin - *Baldwin Anthony Security - Analyst*

What's that?

Mitch Fadel - *Rent-A-Center - President & COO*

I said stereo because Robert and I both answered.

Bill Baldwin - *Baldwin Anthony Security - Analyst*

Thank you, gentlemen.

Mitch Fadel - *Rent-A-Center - President & COO*

Thank you.

Operator

Your next question comes from Kevin Wenck from Polynous Capital

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Kevin Wenck - *Polynous Capital - Analyst*

A couple of questions. The held for rent at end of year, is that likely to come down further as you continue working through the consolidation process?

Mitch Fadel - *Rent-A-Center - President & COO*

Well, probably not because of the consolidation process as much as the first quarter seasonally it normally does come down. We expect it to go down a little bit more at the end of the first quarter. Last year, it came down 140 basis points between the fourth quarter and the end of the first quarter. I don't know that it will come down 140 basis points because we're starting out at quite a bit lower number than last year, but it should come down some when we end the first quarter.

Kevin Wenck - *Polynous Capital - Analyst*

I didn't know if you still were over assorted and some of the locations that merchandise was consolidated into?

Mitch Fadel - *Rent-A-Center - President & COO*

We certainly are a little bit, and that will help at the end of the first quarter, but with that only being a couple of hundred stores out of over 3,000, the bigger impact will just be the seasonality of the business, but, yes, you're right, Kevin, it will help a little bit as we get through the consolidation.

Kevin Wenck - *Polynous Capital - Analyst*

What would be a rough budget at this point for the whole year of '08 for merchandise purchases?

Robert Davis - *Rent-A-Center - CFO*

Well, we're forecasting a net investment in inventory roughly $20 to $25 million, and that obviously will support the comp, and I don't have the number purchases if you will, but if you back out on the income statement when we file the K later this month, we'll reconcile inventory for you from a depletion standpoint, depreciation of real merchandise, cost of goods sold and so forth.

Kevin Wenck - *Polynous Capital - Analyst*

Okay. The cost of rental sales guidance or not rental sales. The cost of rental fees guidance was 22.6 to 22.3, it is about a point higher than you experienced earlier last year. Is a lot of that attributable to what was discussed in the earlier question of slightly higher depreciation rate or what are some other factors in that?

Robert Davis - *Rent-A-Center - CFO*

That's exactly correct. That's indicative of what Mitch referred to in the prior question, we were more promotional in the summer as business got soft and then pricing and term changes we made a few months ago will obviously impact the percentage, but gross margin dollars should be higher.

Kevin Wenck - *Polynous Capital - Analyst*

Okay. Now, the revenue guidance for Q1 suggests kind of backing out through numbers. The merchandise sales could be $80 to $85 million which year-over-year would be up about 20%, so am I in the right ballpark as to what's happening with that or if I am not, what are some other things that are increasing to get to your first quarter revenue number?

Robert Davis - *Rent-A-Center - CFO*

We would expect merchandise sales to be a little higher this first quarter than the prior year, but there is also financial services revenue that's going to be increasing over the prior first quarter with the store we opened during 2007, and then also our -- we have a subsidiary called DPI that is driving some of that as well.

Kevin Wenck - *Polynous Capital - Analyst*

Okay. One final question. The cost of merchandise sales in Q4 was like 83%, well above what it had been in earlier quarters last year, well above the guidance for '08. What was going on there?

Mitch Fadel - *Rent-A-Center - President & COO*

I think a lot of it is the consolidation plan and moving up some of the inventory at a much lower margin to selling it out because we had coming up on 280 stores of extra inventory. That would be the primary reason.

Mark Speese - *Rent-A-Center - Chairman, CEO*

Plus, the fact we we're real high at the end of the third quarter, we were moving out --

Mitch Fadel - *Rent-A-Center - President & COO*

Getting rid of some of that inventory.

Kevin Wenck - *Polynous Capital - Analyst*

Okay. With the guidance you have for Q1 and also for the full year, sounds like you're pretty confident at this point. You worked through all that?

Mitch Fadel - *Rent-A-Center - President & COO*

Correct.

Kevin Wenck - *Polynous Capital - Analyst*

Okay. Thanks for your help.

Robert Davis - *Rent-A-Center - CFO*

Thank you.

Operator

Your next question comes from John Baugh from Stifel Nicolaus.

Robert Davis - *Rent-A-Center - CFO*

John?

John Baugh - *Stifel Nicolaus - Analyst*

Looking at the macro picture for '08 and beyond, it seems to me to be maybe a big plus looming and maybe a big negative, the plus being we're clearly in a credit constrained environment particularly for the lower income profile customer and I can see that driving a lot of people to your stores potentially. On the negative, blue collar, construction jobs, and manufacturing jobs look like they're weakening fairly substantially. Care to comment on how you see those two playing out and which one wins or is it a draw? Any thoughts?

Mark Speese - *Rent-A-Center - Chairman, CEO*

Well, you're right. There is competing forces going on if you will, and I think you heard us say, and I remain that I think generally speaking we are recession resistant that in traditional tough economic times it creates opportunities for us, as you said, as access to credit becomes more difficult which it is. Cost of credit in some cases is going up, and even though the feds lowered rate, when you look at the credit providers and what they're doing, they certainly tightened the extension of credit, they're raising fees on that credit, whether it is late fees or the likes, and we view that or I view that as opportunities for us. The other extreme given who we generally deal with, anything that a tax disposable income, we talked about the impact of high energy costs and so forth and how do you offset that.

I believe based on what we know today, when you think about unemployment, if that goes up, the need for our products and services still exist, people would still, you know, you got to have a refrigerator if they're drawing unemployment, those funds are still available to us. We take that proposition if you will. As I sit here today, not that there is -- not uncertainty out there and how it is all going to play out, but I think the indicators I would tilt a little bit more in our favor frankly, that the audience that we serve or prospective audience could in fact grow in size, and create more opportunities versus what we may lose on the other end of it based on what we know as we sit here today.

John Baugh - *Stifel Nicolaus - Analyst*

Thank you.

Mitch Fadel - *Rent-A-Center - President & COO*

Thanks, John.

Operator

There are no further questions at this time. Mr. Speese, you may begin your summary.

Mark Speese - *Rent-A-Center - Chairman, CEO*

Ladies and gentlemen, thank you for your time, your interest and support of the company. As always, we appreciate it. Again, I would have to say I am pleased with this past quarter. I feel good about the consolidation plan and where we are with regards to that. Financial services as we mentioned, we've got work to do, but again I feel good with some of the things that we're seeing on that front, and my long-term view remains very optimistic, and our ability to capitalize on that. In the meantime, obviously we're focused on managing the things that are inside of our control and believe as we go into '08 we're well well-positioned, so again we appreciate your support and interest and we look forward to reporting back to you next quarter. Thank you very much.

Operator

This concludes today's teleconference. You may now disconnect.
