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RCII - Q3 2003 Rent-A-Center Earnings Conference Call

Event Date/Time: Oct. 28. 2003 / 10:45AM ET
Event Duration: 55 min

OVERVIEW

Company reported 3Q03 net earnings of $48.5m and EPS of $0.57 on revenues of $549.8m. 4Q03 revenue guidance is $555-560m and EPS guidance $0.60-0.61. Q&A Focus: new stores, inventory, customers, products.

CORPORATE PARTICIPANTS

David Carpenter
Rent-A-Center - Director Investor Relations

Mark Speese
Rent-A-Center - Chairman, CEO

Mitchell Fadel
Rent-A-Center - President, COO

Robert Davis
Rent-A-Center - CFO, Senior VP-Finance, Treasurer

CONFERENCE CALL PARTICIPANTS

Arvind Bhatia
Southwest Securities - Analyst

John Baugh
Wachovia - Analyst

Dennis Van Zelfden
Suntrust Robinson Humphrey - Analyst

Verna Borshey
ACI Capital - Analyst

Carla Casella
JP Morgan - Analyst

Mark Anthony
Baldwin Anthony Securities - Analyst

Ryan Rinteria
Boliasani Management - Analyst

Hal Gooch
Fortis Investments - Analyst

Susan Jansen
Lehman Brothers - Analyst

PRESENTATION

Operator

Good morning, and thank you for holding. Welcome to Rent-a-Center's third quarter 2003 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. If you have a question, you will need to press star 1on your push button phone.

As a reminder, this conference is being recorded Tuesday, October 28, 2003. Your speakers today are Mr. Mark Speese, Chairman and Chief Executive Officer of Rent-a-Center; Mr. Mitchell Fadel, President and Chief Operating Officer; Mr. Robert Davis, Chief Financial Officer; and Mr.David Carpenter, Director of Investor Relations. I would now like to turn the conference over to Mr. Carpenter. Please go ahead, sir.

David Carpenter - *Rent-A-Center - Director Investor Relations*

Thank you, Tina. 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 outlined our operational and financial results for the third quarter of 2003. 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 at the same website address. 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 and 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 our most recent annual report, form 10K for the year ended December 31, 2002; and our quarterly report form 10Q for the three months ended June 30, 2003 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 Mark. Mark?

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

Thank you, David, and good morning, everyone. I would like to spend a few minutes and provide you with an overview of the business, some of the trends that we are seeing, as well as some of the initiatives that we are working on. And then I will ask Mitch and Robert to provide you some additional information.

First, we are pleased to be able to report to you another quarter of results in line with our expectations that also included strong earnings and very strong cash flows. I will say that we did face a little bit of a headwind, and I say that because while the summer always proves to be a little more challenging, we faced an additional hurdle in August and September, due to increased payouts which were fueled by the child tax credit refunds.

Now, I will remind you that was a one-time initiative by the Bush Administration to return tax dollars to families. You will recall it was a $400 credit per child for qualifying families; and needless to say, many of our customers received that refund. But while we expected an increase, it was greater than anticipated, and the challenge, of course, is to replace those payouts with new agreements to maintain the recurring revenue in the future.

Now let me add that the wind has shifted, and I say that -- we have seen the payouts normalize over the last several weeks. The demand remains very strong, and we are seeing those payouts now coming back and activating the new agreement. I believe that we are positioned to have a very solid fourth quarter. With regards to some new initiatives that I mentioned, there are several things that we are working on and/or developing to further drive traffic and grow and enhance our business.

We have recently partnered with a couple of businesses that we believe will help drive additional business. Examples include McDonald's restaurants and Jackson Hewitt tax services. McDonald's is introducing an employee gold card program that will offer discounts to their employees from participating retailers. McDonald's approached us and asked our willingness to participate in this program, which we agreed to. What Rent-a-Center will do is offer two free weeks when one week is paid on any new agreement to any McDonald's employee.

250,000 of those gold cards will be given out November 1st, with the potential of 655,000 cards if all of the McDonald's franchisees participate in this program. As you can imagine, many of those employees are a target customer. And we expect there could be a upside in that program. I also mentioned Jackson Hewitt. They also approached us, and we have agreed to allow them to set up [INAUDIBLE] in our stores, and we expect that to be 150 to 200 stores during this upcoming tax season.

Jackson Hewitt will pay us rent to rent a small space, advertise that their service is available in our store -- obviously with the hopes of bringing in additional and new traffic -- they'll provide rapid refunds, issuing a debit card for the amount of that refund, and provide an incentive on all of those refund debit cards of a first week special at any Rent-a-Center. Again, a very similar customer profile and an opportunity, we believe, to drive additional traffic into the Rent-a-Center stores. Now both of these are examples of our national presence and, I believe, our ability to partner with other national players to drive business for both parties.

I will say that we are in similar discussions with others, and we'll keep you posted as those develop in the future. With regards to our marketing and advertising, I think most of you know that we spend approximately $65 million a year, and have used a similar message and channels over the last 10-plus years. We believe there is an opportunity to improve on both the content of the message, as well as the means or channels in which it is distributed, be it broadcast, print, etc.

To put that into perspective, on both the broadcast and the print side, we spent approximately $25 million a year on each. And then the additional $10 or $15 million would be for POP material, yellow pages, production, etc.. But on that note, what we have done is begun MVT's, or what is called multiple variable testing, on all of our advertising with really two goals in mind. One is validating the message and/or the means of our advertising to drive business, and two is the possibility of improving or reducing costs associated with it.

We have engaged an outside firm to assist in this project. We expect it to take several months to finalize, but believe that it will bear fruit in both the message and the cause. What MVT does, if you are not familiar, is it will test multiple messages, distribution channels, layout, design, offers, etc, all at one time, to allow us to determine the effectiveness, the cost efficiencies and so forth. Again, I believe that all of this will present opportunities for us on both fronts.

And finally, let me say that the fundamentals of our business remain strong. The demand for our products and services is there. We have seen no significant or fundamental change in consumer behavior in terms of demand for the products or what it is they are renting. Of course as you know, the recapitalization is now totally or finally completed. The company's balance sheet is very strong and provides us significant flexibility. And again, as you know, we general rate a significant amount of cash flow and we believe that will allow us to continue to grow our business and return value to the shareholders, be it through new store openings, further acquisitions and/or account buys, and/or share purchases.

You also noted on the press release that the board has authorized a new $100 million share repurchase program. And as we have done in the past, we will opportunistically take advantage of that. I do feel good about where we are today. I feel good about the current tone of the business and the prospects for the future.

So with that, let me now go ahead and it over to Mitch to give you a little more detail on operational information.

Mitchell Fadel - *Rent-A-Center - President, COO*

Thanks a lot, Mark. Let me talk just for a minute about our six levers of growth, which are numbers of customers, how many agreements each one of those customers have, the revenue generated per agreement, new store development, acquisition of stores, and finally, account buys from a competitor.

Now the first three of those six levers make up our comp, which was 3.4%, primarily driven by our average revenue per agreement, which continues to climb as our customers are selecting more of the higher-end products that we offer and the additional buy out of sale revenue from the increased number of purchase options in August and September that Mark was speaking about. Due mostly those increased payouts, our customer comp was negative 1.5%.

As most of you know, that fourth lever of growth, our new store opening development, causes a little bit of cannibalization as we expand in our markets. We have the ability through our IT system to track every customer from store to store, and we calculate the effect on our customer comp of the cannibalization effect to be about 1%. Another lever of growth I mentioned is account buys. And these are the most accretive type of acquisitions as we buy accounts and add them to an already existing store with minimal cost expansion.

Now when we buy those accounts and put them in an existing store, we remove that existing store from our comp calculation. A very conservative way to calculate comps, but that's what we do. And in the quarter, those account buys added 2.5% to our customer base. So our negative 1.5% customer comp does not mean we are losing customers from an overall basis. As we know, 1% are still with us, just in a store that's more convenient for them.

And we have added another 2.5% through these account buys that did not get reported in our comps. So when you add 1% from the little bit of new store cannibalization and the 2.5% from the account buys, you actually have 2% customer growth in that group of stores that have been operating for more than a year. And again, as Mark mentioned, we have some new initiatives, as well as a very focused advertising review, that will help us to continue drive additional customer growth for many years to come.

I mentioned our new store plan being one of our six levers of growth. And that program continues to go extremely well, as the new stores continue to run way ahead of plan in both revenue and profit. We opened 27 new locations the in the quarter, 65 year-to-date. Expect 20 to 30 more in the fourth quarter and 80 to 120 more next year. There continues to be a tremendous opportunity for growth in this under-penetrated business.

And we're going to continue to take advantage of that as our new store plan continues to perform very, very well. On the collections front, our efforts remain very consistent. It is a little tougher in the summer months, but it's actually trying to lower here lately; and in fact, we closed this past week at 6.2% past due against our weekly goal of 6.5%. So collections -- they remain a strong part of our business model.

As Mark said, we are seeing some very positive trends in October, as the payouts are normalizing, demand is strong, deliveries are increasing, our employees are working hard to achieve an incentive contest that has recently been put out there; and we are very much on track to reach our October goals, It's good to know that our cash flow is as strong as ever. Five out of our six growth levers are in very positive territory, and we have a very aggressive plan of attack to turn the one stagnant lever in the right direction. And with that, I will turn it over to Robert for some additional financial details.

Robert Davis - *Rent-A-Center - CFO, Senior VP-Finance, Treasurer*

Thanks, Mitch. I'm just going to spend a few quick moments to highlight some financial data, after which we will open up the call to any questions that you might have. Again, the total revenues for the quarter increased about $55.3 million or 11.2%, to $549.8 million during the third quarter of 2003, as compared to 2002.

This revenue growth was driven by the revenue from new stores, the acquired stores and the account buys, as well as the growth in our same-store sales of 3.4%, as outlined by Mitch earlier. As a result of the growth in the store base that Mitch also walked you through, the company currently owns and operates 2,605 stores nationwide. This compares to 2,377 stores a year ago, for an increase of nearly 10% in square footage.

And as most of you know, we have set a goal to continue to increase square footage 5 to 10% a year. So over the last year, we have achieved the high side of that growth target. As a result of our revenue growth, and on a recurring basis, our net earnings grew 16.9% and diluted earnings per share increased nearly 24% over the third quarter of the prior year.

I would like to point out that the company did record an approximately $7.5 million in nonrecurring charges associated with the finalization of our recapitalization that Mark mentioned earlier. That was completed in August, when we called the remaining approximate $85 million and 11%, senior subordinating notes that were outstanding at that time. This charge did reduce diluted earnings per share in the third quarter by five cents from 57 cents per quarter to 52 cents per diluted share. EBITDA for the quarter equaled $101.8 million. From a cash flow perspective, the company generated $117.2 million in operating cash flow during the third quarter.

Over $300 million from the first nine months of the year -- again, as we have all made mention here today -- very significant, strong current cash flows in the business. We did end the quarter with approximately $156 million in cash on hand. Also during the quarter, we spent about $17.3 million in capital expenditures, and ended the quarter with a leverage ratio of 1.53 times. Meanwhile, our interest coverage ratio equaled approximately 6 times. Back to book cap at the end of the quarter was approximately 48%.

And currently, our outstanding indebtedness stands at $699 million, broken out into two components -- $399 million in senior term debt, which has minimal amortization over the foreseeable future, and $300 million and 7.5 subordinated notes outstanding. Our balance sheet is very strong, as Mark mentioned. Again, it provides us a tremendous amount of flexibility in managing our business.

As we talk about guidance in the future, for the fourth quarter of 2003, we anticipate total revenues to be in the range of $555 million and $560 million, same store sales of 1 to 3%, and diluted earnings per share of between 60 cents and 61 cents. For the full fiscal year ending December 31, 2004, we expect total revenues to be in the range of $2.3 billion and $2.33 billion. And diluted earnings per share to range between $2.62 and $2.70. With that financial update, we would like to now open the call to questions.

QUESTIONS AND ANSWERS

Operator

At this time, I would like to remind everyone, if you would like to ask a question, please press star then the number 1 on your telephone keypad. We will pause for just a moment to compile the Q&A roster. Your first question comes from the line of Arvin Battia with Southwest Securities.

Arvind Bhatia - *Southwest Securities - Analyst*

Good morning, guys.

Robert Davis - *Rent-A-Center - CFO, Senior VP-Finance, Treasurer*

Good morning, Arvin.

Arvind Bhatia - *Southwest Securities - Analyst*

Okay. Several questions here. First of all, Mitch, you mentioned the minus 1.5 on the traffic side. With your same-store sales at 3.4, 5% then came from pricing, how much of that do you think was more just EPO's and sort of one-time, you know, what is sort of the normal -- ?

Mitchell Fadel - *Rent-A-Center - President, COO*

Actually, I don't know that I would say 5% came from pricing. The agreements on rent were pretty flat, okay?

Arvind Bhatia - *Southwest Securities - Analyst*

Okay.

Mitchell Fadel - *Rent-A-Center - President, COO*

So even though the customer count was down 1.5, the agreements per customer over a year ago is slightly higher. So from a -- if you count traffic by agreements -- even though we don't, we do customers -- bit if you count it by agreements, that was pretty flat. The 3.4 comes from about 2% from a re-occurring standpoint of 1.4% from that one-time event of those August and September payoffs from the tax refunds.

Arvind Bhatia - *Southwest Securities - Analyst*

Got it. Then the cannibalization that you mentioned from new stores, if I remember correctly, last quarter that was minus.5, this quarter minus 1%. I mean is there -- is that because new stores that you are opening up are performing even better and as a result cannibalizing a little bit more than what we thought last quarter, or you know, maybe help us out there?

Mitchell Fadel - *Rent-A-Center - President, COO*

Well actually, last quarter, it was .8 on the customer side, so it has gone up to 1%. It is probably just because there is more. You know, there is another 30 stores in that equation. It went from .8 to 1%.

Arvind Bhatia - *Southwest Securities - Analyst*

Got it, okay. And then inventory, I think your stated goal was to get about 20% for inventory held for rent, I think it was 20.8, or just a tad bit higher. Anything going on there?

Robert Davis - *Rent-A-Center - CFO, Senior VP-Finance, Treasurer*

I wouldn't say that our goal is 20%. I think from our perspective, the relationship, as long as it is, you know, around 18 to 22%, that is kind of the range, and I guess the midpoint is 20.

We are comfortable with that range, and to be slightly over 20% doesn't cause us any harm. Again, from Mark's perspective, they look at it on an operational standpoint to ensure that we have approximately 160 units idle per store. It turns out that relationship, you know --

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

Was actually a little less at the end of the quarter.

Mitchell Fadel - *Rent-A-Center - President, COO*

Sequentially, that 20.8 is down from the second quarter by about half a percent.

Arvind Bhatia - *Southwest Securities - Analyst*

I got you, okay. And then Mark, can you quantify the momentum? I think you mentioned, you made some points about having gotten back to customers, is there maybe another way to look at it, maybe some numbers that you can provide us us on maybe the conversion, you know, conversion of these customers who ended up buying? I mean, how many of those are coming back? I mean, anything we can look at from a number standpoint?

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

Well, we gather that data. It is probably a little early to sit here and say how many of them have converted back into a new agreement. But one of the quick and easy metrics that we look at is just the number of deliveries that are made on a per-store basis weekly. And that has picked up quite a bit compared to certainly August and September. And, frankly, when compared to last year over the last several weeks.

So, you know, the immediate indicator is that the traffic is still coming in. And we know it's some of those payouts converting. And we do run -- through our IT analytics, we follow the customers, we look at reactivation and so forth, but we do it at the end of periods. And to sit here today, I can't tell you what that number is, other than we know, based on feedback from the stores and looking at the number of deliveries, that in fact, that has happened.

Arvind Bhatia - *Southwest Securities - Analyst*

It seems that Q4 is when you would expect it to go up, but you are experiencing more than just the increase you would otherwise have in this quarter.

Robert Davis - *Rent-A-Center - CFO, Senior VP-Finance, Treasurer*

That is Mark's point. The deliveries that we are seeing over the last few weeks are not just up from the prior quarter of this year, but also over last year.

Arvind Bhatia - *Southwest Securities - Analyst*

Last year. Got you. And then moving on to Rent Way just a second, can you provide some more color on -- I mean, it's just been integrated, is it now positive to your earnings? I mean performance wise, how is it doing as a group?

Mitchell Fadel - *Rent-A-Center - President, COO*

Yes, Arvind, when we initially brought that acquisition in, we gave guidance on it. We anticipated break even in the first quarter -- and this is on a pre-split basis,-- 3 cents add in the second quarter, 4 cents in the third and 5 cents in the fourth, for about 7 cents pre-split or 3 cents post-split, for the second quarter and third quarter or year-to-date since they are rolled in. And they are right on target. The contribution from the Rent Way acquisition through September 30th was 3 cents on a post-split basis or 7 cents on a pre-split basis. So things are operating as expected and they are on plan.

Arvind Bhatia - *Southwest Securities - Analyst*

Two last questions, I will let somebody else jump in. Could you catch up on your focus on the Hispanic population through your advertising in Univision and Telemundo channels; and second question related to air conditioners, which is the first time this quarter that you were focusing on it. What is the performance there?

Mitchell Fadel - *Rent-A-Center - President, COO*

Let me take that one, Arvin. On the Hispanic side, you know, we started kind of a full-fledged approach to that market, as you mentioned with Telemundo and Univision, and spending more money in that market than we had in the past, in the last quarter.

As Mark mentioned, we are now going through a thorough review of all of our advertising with this multiple variable testing, and our gut feel is it is the right testing, our gut feel is it is the right way to go, putting more money towards the Hispanic side. But that has been a gut feel at this point -- and everything you read it makes sense to do.

But at the same time, this multi variable testing we are going through is going to really quantify for us over the next several months. So it will verify or not verify what we are currently doing. So we are pretty positive about the results from that, as Mark had mentioned, not only from a new business standpoint but possibly from a cost savings standpoint, as Mark had said.

On the air conditioners, pretty successful from a summer standpoint. We brought them in, rented them on short enough terms to get most of them paid out through the summer, which was also probably a little bit the extra payouts from August and September, as well as those tax credits late in the summer, especially September. Because you don't want to have them in the back room all winter.

So we them on a short enough term, renting earlier in the summer that they would be paid out by the end of the year, or have an early payout come out that was so low that the customer would rather pay it out than us having it in the back room. And overall it has gone well. We -- most of them, the majority -- I don't have the exact numbers in front of me, but the majority of them are either still out on rent or have paid out. We have well over -- 50% are out of the system versus being in our back rooms now.

So overall, that helped us through a tough summer; and again, we are going to have some stored through the winter like we anticipated, but to be honest with you, less than I anticipated.

Arvind Bhatia - *Southwest Securities - Analyst*

Great, got it. Thanks a lot. Good luck.

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

Thank you.

Operator

Your next question comes from the line of John Baugh with Wachovia.

John Baugh - *Wachovia - Analyst*

Good morning.

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

Good morning, John.

John Baugh - *Wachovia - Analyst*

A couple of things One, in your guidance for '04 revenue, can you tell us what is in it and what is not in it? It is only about 4% up, I believe, from where you projected '03 will be. My recollection is, you include your comp in new store but you do not anticipate account buys or acquisitions. Just tell us what is in that?

Robert Davis - *Rent-A-Center - CFO, Senior VP-Finance, Treasurer*

You are right. It is a component of the comp of 1 to 3% plus an additional 1%, approximately, for new stores that we anticipate opening next year, but it does not include any acquisition of storefronts.

John Baugh - *Wachovia - Analyst*

Or account buys?

Mitchell Fadel - *Rent-A-Center - President, COO*

There is some small assumption for account buys, but not a material amount.

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

The amount that we are looking at right now.

Mitchell Fadel - *Rent-A-Center - President, COO*

Right.

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

Assuming we're going to finalize this year, hopefully in the next hopefully 30 or 45 days, or whatever the case may be, so there is a small consideration for that. But it doesn't assume anything big or any acquisitions or anything of that nature.

Mitchell Fadel - *Rent-A-Center - President, COO*

Or anything we would be doing next year. It's really what are making in or talking about right now.

John Baugh - *Wachovia - Analyst*

Okay. The other question, I had is primarily around SG&A. If I am not mistaken, there was a guidance for both the fourth quarter this year and next year where that percentage would be up year over year fairly significantly. Can you explain what is going on there?

Robert Davis - *Rent-A-Center - CFO, Senior VP-Finance, Treasurer*

I am not sure I follow the question.

John Baugh - *Wachovia - Analyst*

Well, I think you got an SG&A percentage of 55 to 56%.

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

For the fourth quarter of this year.

John Baugh - *Wachovia - Analyst*

Fourth quarter. And -- unless my numbers are wrong, last year was a 54.3.

Robert Davis - *Rent-A-Center - CFO, Senior VP-Finance, Treasurer*

Right. The biggest reason for that is the fact that in the back half of the year our new stores had accelerated compared to where they were at the beginning of the year, as well as the impact from all the payouts.

I mean, quite frankly, when the customers in the summer payout and you loose that recurring revenue stream, in the immediate term in the fourth quarter, there is some impact to that as well. So, the guidance we give contemplates more new stores in the fourth quarter -- in the third quarter, that were added in the beginning of the year, as well as the impact of the payouts.

Mitchell Fadel - *Rent-A-Center - President, COO*

Also, I would add to that, Robert. Anything you compare to last year didn't include Rent Way. When you add in 120 stores that were pretty low volume stores, as you know, John, then that's going to affect those margins until those stores are up to our level.

John Baugh - *Wachovia - Analyst*

Okay. And can you comment on '04, which on the same item , I believe the guidance is 54 to 55.5, which if I took the midpoint of that, would be up fairly sharply from --- well, be up from '03 and that is with Rent Way anniversaried.

Robert Davis - *Rent-A-Center - CFO, Senior VP-Finance, Treasurer*

Right, but Rent Way, just because they have been in there a year, doesn't mean they are at an average after a year. In fact, it takes 24 months or so for an acquisition to get to our average. And then plus, we are accelerating our new stores up to -- in our model, we are assuming 100-something new stores in the model, which is more than what we have projected for this year.

So we are accelerating new stores next year, which is a drag on the margins, Rent Way is still not at the average revenue per store when they anniversaried, not till towards the end of next year. So, I guess the way to answer your question is, there is nothing in that line that is a significant investment, so to speak, be it on labor or operating costs at the store level or anything like that.

It is a result of more new stores, the impact from payouts and the fact that Rent Way is not fully up to our [INAUDIBLE] level.

John Baugh - *Wachovia - Analyst*

Yes, but the Rent Way wouldn't -- that doesn't make sense, because -- in your numbers from a year ago -- so year over year as a percentage it should actually improve. I understand it's not back to a Rent-a-Center average, but you bought those, had those in, for most of '03.

Mitchell Fadel - *Rent-A-Center - President, COO*

Once it goes up, you used about half a percent, at the midpoint of our guidance.

John Baugh - *Wachovia - Analyst*

Yes, I think that's probably about right, yes.

Robert Davis - *Rent-A-Center - CFO, Senior VP-Finance, Treasurer*

Just the impact of the stores will do that.

John Baugh - *Wachovia - Analyst*

And the last thing just quickly is, you know, you give us interest expense assumption, you give us share count. What, if any, anticipation of buy back is there in that? It doesn't appear as though there is any.

Robert Davis - *Rent-A-Center - CFO, Senior VP-Finance, Treasurer*

There is none.

Mitchell Fadel - *Rent-A-Center - President, COO*

There is none.

John Baugh - *Wachovia - Analyst*

Okay. Thank you very much. Good luck.

Mitchell Fadel - *Rent-A-Center - President, COO*

Thanks, John.

Operator

Your next question comes from the line of Dennis Vanbeltin with SunTrust Robinson Humphrey.

Dennis Van Zelfden - *Suntrust Robinson Humphrey - Analyst*

Good morning, everyone.

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

Good morning, Dennis.

Dennis Van Zelfden - *Suntrust Robinson Humphrey - Analyst*

Just to continue on the same trend about these paths, you have essentially taken out the revenue associated with the higher payouts in the fourth quarter and extrapolated that through next year, is that correct?

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

Yes.

Dennis Van Zelfden - *Suntrust Robinson Humphrey - Analyst*

Okay, and then I also heard you say, Mark, that -- recently, I don't know, last few weeks, last month, whatever -- that the rentals is going right back up. Is it possible that if the normal amount of people who come back and re-rent after they get a tax rebate -- if that normalizes, might we get some revenue upside from these new estimates?

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

Certainly, the possibility exists, yes. I mean, the forecast that we have for the fourth quarter or next year is consistent with our vast performance and expectation. And so to the extent that we have a higher number, those come back, you know, it certainly gives us, I guess you could say, additional upside.

Dennis Van Zelfden - *Suntrust Robinson Humphrey - Analyst*

Okay, but you are basically saying that what happened in the last couple of months did not fit with what has happened historically, i.e., the percentage of people coming back?

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

Exactly correct. And then I don't, you know -- obviously, those refunds were lower than what you typically see in income tax time. In February, we were also competing I think with some other expenses, i.e., back to school, etc. And so they weren't converting to a new agreement as quickly as we have historically seen during the normal tax season.

Mitchell Fadel - *Rent-A-Center - President, COO*

Yeah Dennis, when you say historically, of course, we've never had those kinds of refunds being out in August.

Dennis Van Zelfden - *Suntrust Robinson Humphrey - Analyst*

No, I meant from regular income tax.

Mitchell Fadel - *Rent-A-Center - President, COO*

Regular income tax, in February, it's not going to be as high a percentage in August or September as it is in February, just because of the products that we rent, I guess is really what we found out. I mean, not having gone through these kinds of tax refunds before in the summer,

we didn't know what to expect. We thought we knew what to expect, but it was a lot more payout than we thought, and they didn't re-rent at the same rate they do in February, which in hindsight if you think about it it kind of makes sense; they're household durable goods, and it's August and September. In February, it's going to be a better time -- January, February is going to be a better time to re-rent household durable goods.

Robert Davis - *Rent-A-Center - CFO, Senior VP-Finance, Treasurer*

And the amount of refund in the first quarter is greater than the credit [INAUDIBLE].

Mitchell Fadel - *Rent-A-Center - President, COO*

Right, so they had more cash.

Dennis Van Zelfden - *Suntrust Robinson Humphrey - Analyst*

So you are saying in another three or four-months, it may all normalize back out anyway. We just don't know?

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

That's a possibility, that's right.

Dennis Van Zelfden - *Suntrust Robinson Humphrey - Analyst*

Okay, well can you tell me, Mark, the recent increase in deliveries, is it to new customers or is it to existing customers? Can you tell how many are coming back?

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

Well again, as I said, we do track that through our IT. We do it at the end of a period. We do know that we are up customers this month. We get that data every day.

And so by definition, a new customer, it could have been an existing customer that paid out and was inactive and has now reactivated, or it could be a very first time customer. That we won't know until the end of the period when we do those-in-depth customer profiles; but we know it is either a brand new customer or it's a payout that has come back and reactivated because we know we are gaining customers this month.

Dennis Van Zelfden - *Suntrust Robinson Humphrey - Analyst*

Okay. Moving on just to another topic. Have you run any general accretion numbers yet with respect to buying back $100 million worth of stock at say, 30?

Robert Davis - *Rent-A-Center - CFO, Senior VP-Finance, Treasurer*

Yeah... That would equate to approximately, assuming that it occurred on the first day of the year, that would equate to approximately 10 cents in earnings.

Dennis Van Zelfden - *Suntrust Robinson Humphrey - Analyst*

Okay, I guess what I am getting at -- you know, you came out with guidance that was approximately 6, 7, 8 cents a share or so lower than what the street already had for next year. And when it is all said and done, perhaps sometime by next year we could be looking at the same number that we had to begin with?

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

Well, that possibility is there.

Whether it is driven by, as you were alluding to earlier, customers coming back, reactivating, doing more than we anticipate and/or through, I think what your point here is, a share repurchase -- obviously that is very accretive. Given the amount of cash flow that we continue to generate, obviously we are going to look at the best way to use that cash, whether it is again acquisitions, openings -- and I think most people know, even taking those into consideration, still leaves significant cash, and so you know, the possibility of a share repurchase is pretty high, and hence the reason for the new board authorization of an additional $100 million.

Dennis Van Zelfden - *Suntrust Robinson Humphrey - Analyst*

Okay, and then the last question is concerned with free cash flow.

Excluding the positive benefits of the tax rebate-type issues that we have had over the last couple of years, on a normalized basis, what would you estimate your free cash flow is per year after opening up the 80 to 100-odd stores?

Robert Davis - *Rent-A-Center - CFO, Senior VP-Finance, Treasurer*

About $200 million.

Dennis Van Zelfden - *Suntrust Robinson Humphrey - Analyst*

That is a normalized number after opening the stores?

Mitchell Fadel - *Rent-A-Center - President, COO*

Yes.

Robert Davis - *Rent-A-Center - CFO, Senior VP-Finance, Treasurer*

Yes.

Dennis Van Zelfden - *Suntrust Robinson Humphrey - Analyst*

Okay. So if you made any acquisitions, we would have to subtract that from the 200?

Robert Davis - *Rent-A-Center - CFO, Senior VP-Finance, Treasurer*

Yes, about $50 to $60 million if you look at our historical track record in acquisitions, excluding the Rent Way which occurred earlier this year for $100 million, the normal recurring kind of forecast for acquisitions is $50 to $60 million a year, which would leave you with, you know, around $150 million in cash flow at that point -- after investments in working capital, new stores and acquisitions.

Dennis Van Zelfden - *Suntrust Robinson Humphrey - Analyst*

Right. Pretty strong. Thanks, guys.

Mitchell Fadel - *Rent-A-Center - President, COO*

Thanks.

Operator

Your next question comes from the line of Verna Borshey with ACI Capital.

Verna Borshey - *ACI Capital - Analyst*

Hi, a couple of questions, just to shift topics a little bit into what you are doing on the marketing. I noticed there was a lot more TV ads, you know, during the baseball playoffs than I had ever seen before. You were also advertising pretty aggressively the "one week free". Is that something new, and how long has that "one week free" been in place and did that affect you at all in the quarter?

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

The one-week free promotion is not new. We have done that, oh geez, for a number of years at various times. Pay a week get a week free, first week free, etc. The television advertising is not new either. Obviously, we have been doing that for quite some period of time.

We have introduced a couple of new commercials here recently. Customer testimonials, and the story line is "My Rent-a-Center". And again, it is a testimonial. You did see some spots during the World Series and playoffs. And part of that was us placing; and candidly, part of it was FOX Sports -- in fact, game 6 the other night, they gave us that spot because of the volume of business we do with them.

And so again, obviously another benefit of our size and spending and so forth is being able to get those types of added benefits. And so--

Verna Borshey - *ACI Capital - Analyst*

So there wasn't an increase in marketing spending?

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

No, no, no, there was not.

Verna Borshey - *ACI Capital - Analyst*

You were just sort of lucky to get some high-profile spots?

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

Yes.

Verna Borshey - *ACI Capital - Analyst*

And also, in terms of -- you know, Rent Way came out with some pretty, you know, decent numbers recently. And you know, I'm wondering what you are seeing, you know, in terms of increased competition from them?

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

I wouldn't -- I don't believe that's impacted ours -- and I think what you are alluding to was their preannouncement about the comp. Obviously, those stores we acquired from them and kept open will come into the comp in the second quarter of next year. So unfortunately, we are not able to speak to it now, but we feel pretty good about where we think they are going to come in when they come in in the second quarter of next year.

And frankly, we don't see much of anything different, I guess, would be the best way to answer that, anything unusual or different from them or any other competitor.

Mitchell Fadel - *Rent-A-Center - President, COO*

No, because when we look at our numbers, the demand is strong. And when we look at deliveries and pick-ups, compare them to a year ago, the difference in our customer comps and balance on rent is the payouts that we have been talking about from August to September. You would focus more on the competition if it was an increase in pick-ups, people were turning to the competition, and we have not seen that.

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

And the way that you could support that -- and I think someone earlier had asked the question about the value of inventory held for rent. If those units were coming off of rent and going back into inventory, not that it's 20.8%, but the pure dollars have come up substantially. In fact, it's come down, which again supports that those units are leaving the system in the form of a payout.

Verna Borshey - *ACI Capital - Analyst*

I guess my question is, when you experience a payout, I guess one of the things that was disappointing to you was how quickly people came back to re-rent another item. And I don't know if there is any way for you to gauge.

It seems that Rent Way has sort of gotten their act together a little bit, and you know, is probably being a little bit more aggressive on price on the contract than you are. So I guess my question to you is, are you concerned that you could be losing that re-rental business, that they are going elsewhere to rent?

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

We don't see anything today that would support that, no.

Verna Borshey - *ACI Capital - Analyst*

Okay. Okay, great. So that's all of my questions, thank you.

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

Thank you.

Operator

Your next question comes from the line of Carla Casella with JP Morgan.

Carla Casella - *JP Morgan - Analyst*

Hi, it's Carla Casella from JP Morgan. I was wondering if you could talk a little bit more about your acquisition of customer account, the strategy there, and what kind of pricing you're seeing in the market. Are you seeing that there's still a lot of ability to buy customer accounts as opposed to buying whole, I guess, store locations?

Mitchell Fadel - *Rent-A-Center - President, COO*

Yeah, I mean the -- it hasn't changed a lot over the years, the last couple of years. It's been pretty consistent, we lead by 10 last quarter, in how many stores? Robert?

Robert Davis - *Rent-A-Center - CFO, Senior VP-Finance, Treasurer*

13.

Mitchell Fadel - *Rent-A-Center - President, COO*

13 stores and 9 accounts. And that's been pretty consistent. You know, after we bought those 295 Rent Way stores in February, we kind of cut off the line for a few months.

And you know, you have got to get the pipe filled back up. And it's starting to fill back up. We saw it last quarter. And I would say there is still a lot of opportunity out there, and nothing has really changed there. The prices are in the --- really a wide range, any where from six times monthly revenue to 10 times monthly revenue depending on the store and the revenue of the store and so forth. So it hasn't changed a whole lot.

Carla Casella - *JP Morgan - Analyst*

Okay.

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

And the account buys, Carla, obviously, you know, if a party is interested in selling, whether it becomes an account buy if you will or a storefront, is largely driven by our presence in that existing market. My point there is, you know, some of these are good acquisitions and we want to do them, and they are not account buys because it allows us to expand or enter a new market.

And then conversely, in other cases, it is because of the close proximity of our store. I guess my point there is, all be it account buys are great and we like those, it's not as if we can always dictate it or mandate it that way. So--

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Carla Casella - *JP Morgan - Analyst*

Uh-huh. And when you do buy accounts, though, those go right into a store so it would add to same store sales?

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

No, because we take them out of our same-store sales.

Carla Casella - *JP Morgan - Analyst*

You do take them out? Oh, okay.

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

Yes, we do. We don't -- No, if we buy a store and merge it into our Rent-a-Center, that Rent-a-Center comes out of the comp, and does not come back until the anniversary, five quarters.

Mitchell Fadel - *Rent-A-Center - President, COO*

That's what I was saying earlier, Carla. The stores, if you look year over year, the store has operated a whole year, did have positive customer growth. It's just when you pull out the stores that we had the account buys, then you end up with a slightly negative number.

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

You don't get credit for it.

Carla Casella - *JP Morgan - Analyst*

Right. Okay, great, thanks a lot.

Robert Davis - *Rent-A-Center - CFO, Senior VP-Finance, Treasurer*

Thank you.

Operator

Your next question comes from the line of Mark Anthony with Baldwin-Anthony Securities.

Mark Anthony - *Baldwin Anthony Securities - Analyst*

Hi, guys, I had one more question on the guidance for '04, help me understand. And I know someone brought this up earlier, but you are basically saying 1 to 3% same store growth, and your average stores in the mix -- or your store growth being in the 6 to 7% area? Is that an average number or is that a total number on the average stores or new stores?

Robert Davis - *Rent-A-Center - CFO, Senior VP-Finance, Treasurer*

Talking about the guidance of 80 to 120 new stores next year?

Mark Anthony - *Baldwin Anthony Securities - Analyst*

No, I am talking really going back to total revenues being up in this 4% area, and let's just say you take midpoint, you're getting 2% out of same-store sales, and your store count is going to be up 6 to 7%.

Robert Davis - *Rent-A-Center - CFO, Senior VP-Finance, Treasurer*

Right.

Mark Anthony - *Baldwin Anthony Securities - Analyst*

I am trying to figure out why we done get a higher number than that?

Robert Davis - *Rent-A-Center - CFO, Senior VP-Finance, Treasurer*

Well, the store count from new stores, they do not --- they take a long time to ramp up in terms of revenues. So --

Mark Anthony - *Baldwin Anthony Securities - Analyst*

Okay.

Robert Davis - *Rent-A-Center - CFO, Senior VP-Finance, Treasurer*

So we forecast about a percent from new stores over the course of the 12-month period on the top line.

Mark Anthony - *Baldwin Anthony Securities - Analyst*

Okay.

Robert Davis - *Rent-A-Center - CFO, Senior VP-Finance, Treasurer*

Because a new store starts out with 0 revenue, and it takes them a while to ramp up to, you know, a level to where they are contributing on a monthly basis in line with our break-even point or even plus some.

Mark Anthony - *Baldwin Anthony Securities - Analyst*

Right. That's --

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

If you will recall, Mark, if we open 120, albeit 5% for the whole year, that's going to be scattered throughout the entire year.

Mark Anthony - *Baldwin Anthony Securities - Analyst*

Right.

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

So you have half of that if you look at an average year.

Mark Anthony - *Baldwin Anthony Securities - Analyst*

Right.

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

And then to Robert's point, you know, if we open a store this month and we have a really good first month.

Mark Anthony - *Baldwin Anthony Securities - Analyst*

Yes.

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

That means the store's going to have 100 to 150 contracts out and is going to do a whopping $5,000 in revenue this month.

Mark Anthony - *Baldwin Anthony Securities - Analyst*

Right.

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

And then the next month that will go to 7,500 -- and so Robert's point, again, it takes several months to get enough units out where that revenue is now covering fixed costs and beginning to become profitable, and hence the drag on our earnings when we open new stores.

Mark Anthony - *Baldwin Anthony Securities - Analyst*

Right. Well, I understand that. But the way I was looking at it is the average store count through the year, versus last year, is going to be about 6 or 7% higher? If you take an average.

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

Well right, but keep in mind, what we had this year, and almost all of it came out the very beginning of the year.

Mark Anthony - *Baldwin Anthony Securities - Analyst*

Yeah, okay, it is a positive.

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

It wasn't weighted throughout this whole year. We bought 300 of them in February.

Mark Anthony - *Baldwin Anthony Securities - Analyst*

Right. It is more of a timing issue than anything else?

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

It really is.

Mark Anthony - *Baldwin Anthony Securities - Analyst*

Okay. That was my question. Okay, thanks, guys.

Mitchell Fadel - *Rent-A-Center - President, COO*

Thanks, Mark.

Operator

Again, in order to ask a question, please press star, then the number 1 on your telephone keypad. Your next question comes from the line of Ryan Rinteria with Boliasani Management.

Ryan Rinteria - *Boliasani Management - Analyst*

Thanks a lot. All my questions were answered.

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

Thank you.

Operator

Your next question comes from the line of Hal Gooch with Fortis Investments.

Hal Gooch - *Fortis Investments - Analyst*

Hey guys, could you talk about what your expectations are and what high definition TV can do for you in the next year? You really -- this is really going to be -- 2004 is really going to be your first full year of really having this on the shelves. What do you see now, what are your expectations? Thanks.

Mitchell Fadel - *Rent-A-Center - President, COO*

Well, I think you are right -- well, I know you are right. It will be the first full year. The -- you know, when we talked about earlier, the 3.4% comp, and I mentioned about 2% of that being driven by the higher revenue per agreement, because the customers are selecting the higher-end products, HD big screens are a big part of that 2%.

I don't know the exact amount, but it would be a significant portion of that 2%, maybe even half of it, is because HDTVs rent more than analog TVs. And that's just going to continue as -- we are not even buying analog TVs any more, we stopped in April. We have them in the system as they keep rotating through the stores, but by the end of next year, we will be out of those totally and that will just continue to drive the average revenue per agreement, you know, maybe not to the extent they have so far this year.

But there's going to be -- part of that 1 to 3% comp guidance is based on the revenue per agreement growing, and HDTV is a part of that of that revenue per agreement growing.

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

Yeah, the reason it may not be as much as you think is, obviously big screens have always been a big part of our business; and frankly, analog TVs several years ago were pretty expensive and came down in price and are now being replaced with HDTVs. And I guess my point is is, instead of running analog today we are running an HD, and as Mitchell alluded to, it's $1 or $2 more a week, so it is an upside.

But it's not as if it's a totally new product category. It is, you know, replacing an existing product category that also happens to have a high revenue and done very well for us. And then certainly, as prices continue to track -- detract in the HDTVs, you know, it will -- so there is still an upside, but I don't want you to think it could be low. This could be a 10% line item.

Mitchell Fadel - *Rent-A-Center - President, COO*

If it was a brand new product--

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

Right.

Mitchell Fadel - *Rent-A-Center - President, COO*

We did also, Hal, just recently, and we tested very well and added -- in the line in fact, I think it goes November 1, we have to line up LCD TVs, 15-inch LCD TV screen that tested pretty well, and we have it in the line up November 1. Yeah, all that new technology out there does present some potential upside over the next couple of years for sure.

Hal Gooch - *Fortis Investments - Analyst*

Thanks a lot, guys.

Mitchell Fadel - *Rent-A-Center - President, COO*

Thank you.

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

Thank you.

Operator

Your next question comes from the line of Susan Hanson with Lehman Brothers.

Susan Jansen - *Lehman Brothers - Analyst*

Good morning everyone. I just wanted to confirm one thing and then ask you another question. The first is, I think I heard you say that the rebate impact is very similar to what you saw in 2001. And that is what is driving your expectations for the fourth quarter of this year and '04; and then I also wanted to ask you just about how your new store model is continuing to perform, I think you talked about it last quarter a lot. And I just wanted to see if you could tell us if there's been any change to that. if t.

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

Your first question, Susan, I am confused. I don't think anybody -- the payouts in 2001--

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Susan Jansen - *Lehman Brothers - Analyst*

Well, did you -- there was some -- In the summer of 2001, the government distributed rebate checks directly to consumers. There were a whole bunch when the tax rate were rolled back. In fact, the full impact of it that started, I think, in July was about $26 or $27 billion as I recall. But that's going back a couple of years. So I wondered if you saw sort of a simple -- a similar thing as you're seeing -- or you saw this past summer?

Mitchell Fadel - *Rent-A-Center - President, COO*

Well actually, the payoffs this summer were -- I don't know why, but they were a lot worse or higher, I should say. Maybe not worse, but the customer buying ownership of the product is a good thing for us and the customer; but they were really much higher than were in 2001, to answer your question, and I really couldn't tell you why, I guess rebates this year were slightly higher, because they were 400 times the number of kids that family had, so --

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

In the fourth quarter of '01, you will recall, is when the company did go through the management change, I guess.

Susan Jansen - *Lehman Brothers - Analyst*

Yes.

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

And so there was other items being addressed or things going on and so forth.

Mitchell Fadel - *Rent-A-Center - President, COO*

Well, I think, as I recall, Susan, wasn't it $600 back in 2001, it wasn't a child tax credit, it was certain taxpayers and it was on a chart of how much tax you paid and those kinds of things. I don't -- I am not an expert on this, but I don't think this was directed as much at our customer--

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Susan Jansen - *Lehman Brothers - Analyst*

It may not have been. It is interesting, because Wal-Mart has reported that they saw about 15% of the checks being cashed being spent in their store this time compared with 25% a couple of years ago. So it sounds like people were not spending in Wal-Mart this time but were rather spending in your stores.

Mitchell Fadel - *Rent-A-Center - President, COO*

Like I said, in 2001 I remember getting that check.

Susan Jansen - *Lehman Brothers - Analyst*

Yes.

Mitchell Fadel - *Rent-A-Center - President, COO*

I didn't qualify in 2003 for the child tax credit, so it might have been a different customer over the two-years.

Susan Jansen - *Lehman Brothers - Analyst*

Might have been. How about your new store model?

Mitchell Fadel - *Rent-A-Center - President, COO*

On the new stores, you are right. I did go into quite a bit of detail last quarter on the call. And I didn't this quarter, because it is pretty much the same. We are still running well ahead of the numbers. I am just looking at my notes. The plan for the second full year being $80,000 of EBITDA and 10% operating profits, and their averaging over $130,000 EBITDA and 14.5% operating margins. So, similar to last quarter, the numbers are well over the plan in both revenue, EBITDA and store operating margins.

Susan Jansen - *Lehman Brothers - Analyst*

Wonderful. That's very helpful. Thank you so much.

Mitchell Fadel - *Rent-A-Center - President, COO*

Thank you.

Operator

You have a follow-up question from the line of Dennis Van Zelfden with SunTrust Robinson Humphrey.

Dennis Van Zelfden - *Suntrust Robinson Humphrey - Analyst*

Yeah Mark, sorry to make you go this that again. Go back to the McDonald's and tell me what that is again? I just missed that part of it. Because you through out some numbers there.

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

Yeah, McDonald's, again, came to us a little while ago. What they are doing is rolling out or introducing to all of their employees, a, what they call a gold card program. And what that provides to their employee is various discounts from participating retailers that McDonald's asked to partner in that. There is a shoe company, as an example, that will give a 10% discount to a McDonald's employee who presents that card.

And again, they came and asked us to participate with them, which we obviously agreed to do. And that rolls out November 1st and will be good through next year, December of '04, to all of their employees. And again, they anticipate 250,000 of those cards will be distributed to their company employees, with the potential of 655,000 cards if all of the franchisees participate in that program, as well, for their employees. Again, what we will do is offer them an incentive if they come in and rent a new item for us, they will get a couple of weeks when they pay a week to start it off.

Dennis Van Zelfden - *Suntrust Robinson Humphrey - Analyst*

Do you know how many of you are your current people who rent are already employees of McDonald's?

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

I can't tell you specifically, no, Dennis, but as you do know, you can appreciate, be the cashier or the cook, like many other businesses, they are -- our customers fit that profile, and so we do think it has potential to reach a large number of people.

Dennis Van Zelfden - *Suntrust Robinson Humphrey - Analyst*

But you are not concerned that, I don't know, 100,000 of them are already renters and they are about to get a week free?

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

No, only on a new agreement.

Dennis Van Zelfden - *Suntrust Robinson Humphrey - Analyst*

Okay.

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

It's on a new agreement. And hopefully they will come in, 100,000 of them, and get that free on a new agreement.

Dennis Van Zelfden - *Suntrust Robinson Humphrey - Analyst*

Okay, and on the Jackson Hewitt, most of them probably already use services like this. You are simply trying to make it more convenient for them?

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

Yes, Jackson Hewitt , again, is another one that came to us. And they really, like the H&R Block, but more like our customer in that their customer profile more closely matches ours. And this is not real uncommon for them. What they are wanting to do is be able to get into an area where they can enhance some business.

And so again, we have agreed we will test it at 150, couple of hundred stores this year. They're going to lease a small space from us in the store, advertise that they're there providing the service. They do immediate refunds and give the customer a debit card loaded with the amount of that refund. And then again, that card also has an incentive on a new rental at Rent-a-Center. And then all of their cards that they give out will have that incentive, not just in the 150 or 200 stores they are testing, but if they do 1 million returns and give out 1 million of those cards or whatever the number is, that special will be available to all of those customers as well.

Dennis Van Zelfden - *Suntrust Robinson Humphrey - Analyst*

Are you--can you tell us about any other nontraditional revenue enhancing measures that you might be putting into your stores?

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

I guess, well, again, we have some others that we are talking to and looking at right now. I don't know. It is probably premature to go into much detail, because I don't know if it will come to fruition or whatnot, but I think it is fair to say that what we are doing as a company, again, is trying to leverage our size in our 2500-plus storefronts and see what other opportunities may be out there that will drive traffic and enhance our business, as well as who we want to partner with -- you know, NasCar -- and I am just using this as an example, I think everyone is probably aware recently, a few months ago we got a little involved in Nascar. Again, an example of a company that came to us; and in this case, it was Ford Motor Craft, and asked us to partner with them as a cosponsor on a number 21 Car driven by Ricky Rudd with the Wood Brothers, and they also got the Air Force to join them a year ago.

We have agreed to do that. And so you know, is there an opportunity to leverage those two relationships in the future? Possibly, and you know, we are exploring those on similar types of things as we speak.

Mitchell Fadel - *Rent-A-Center - President, COO*

I think those are the two additional ones we are working at at least, some kind of relationship with Ford and then the United States Air Force.

Dennis Van Zelfden - *Suntrust Robinson Humphrey - Analyst*

Okay, thanks every one.

Mitchell Fadel - *Rent-A-Center - President, COO*

Okay, thanks.

Operator

Ladies and gentlemen. We have reached the end of the alloted time for questions and answers. Mr. Speese, are there any closing remarks?

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

There are, thank you. Again, we would like to thank everyone for your time today. As always, we appreciate your interest and support in the company. Again, as we alluded to, it was a little bit of a challenge in August and September, but we feel very good about where we are today, the tone of the business again is strong, we are seeing those customers come back and activate new agreements.

I think we are positioned to finish the year on a very positive note, as well as set up on 2004. So, again, thank you for your time and interest. As always, we are available for any follow-up questions, and we do look forward to talking to you again in the near future. Thank you much.

Operator

This concludes Rent-a-Center's third quarter 2003 earnings release conference call. You may now disconnect

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