



# Investor Presentation Second Quarter 2011



July 29, 2011

# Safe Harbor Statement

*This press release and the guidance above contain forward-looking statements that involve risks and uncertainties. Such forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “could,” “estimate,” “should,” “anticipate,” or “believe,” or the negative thereof or variations thereon or similar terminology. Although the Company believes that the expectations reflected in such forward-looking statements will prove to be correct, the Company can give no assurance that such expectations will prove to have been correct. The actual future performance of the Company could differ materially from such statements. Factors that could cause or contribute to such differences include, but are not limited to: uncertainties regarding the ability to open new locations; the Company’s ability to acquire additional stores or customer accounts on favorable terms; the Company’s ability to control costs and increase profitability; the Company’s ability to enhance the performance of acquired stores; the Company’s ability to retain the revenue associated with acquired customer accounts; the Company’s ability to identify and successfully market products and services that appeal to its customer demographic; the Company’s ability to enter into new and collect on its rental purchase agreements; the passage of legislation adversely affecting the rent-to-own industry; the Company’s failure to comply with statutes or regulations governing the rent-to-own or financial services industries; interest rates; changes in the unemployment rate; economic pressures, such as high fuel costs, affecting the disposable income available to the Company’s targeted consumers; conditions affecting consumer spending and the impact, depth, and duration of current economic conditions; changes in the Company’s stock price and the number of shares of common stock that it may or may not repurchase, and future dividends, if any; changes in estimates relating to self-insurance liabilities and income tax and litigation reserves; changes in the Company’s effective tax rate; the Company’s ability to maintain an effective system of internal controls; changes in the number of share-based compensation grants, methods used to value future share-based payments and changes in estimated forfeiture rates with respect to share-based compensation; the resolution of the Company’s litigation; and the other risks detailed from time to time in the Company’s SEC reports, including but not limited to, its annual report on Form 10-K for the year ended December 31, 2010 and its quarterly reports on Form 10-Q for the quarters ended March 31, 2011 and June 30, 2011. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. Except as required by law, the Company is not obligated to publicly release any revisions to these forward-looking statements to reflect the events or circumstances after the date of this press release or to reflect the occurrence of unanticipated events.*



# Key Investment Rationale

- Market leader in an attractive sector
  - Leading national brand with a high number of touch points
  - Scale advantage versus fragmented peers
- Achievable growth and margin potential in core business
  - Favorable consumer credit market dynamics and stable product cycle
  - Positive margin trends with room for further improvement
- Well defined growth opportunities
  - New store concepts
  - New markets
- Financially solid
  - Strong cash flow generation
  - Sound balance sheet and strong credit statistics
- Experienced management team



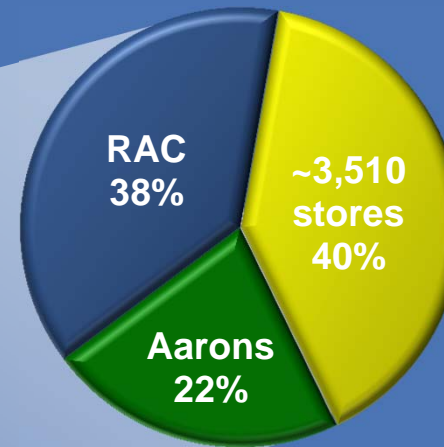
# Leading RTO Operator in U.S.

- Largest rent-to-own operator in the U.S.
  - 38% market share based on store count
  - National footprint of approximately 3,000 company-owned stores and 210 franchised stores
  - Additional 610 RAC Acceptance locations within retailer's store locations
- Broad selection of high quality, brand-name merchandise under flexible rental purchase agreements
- Primarily serves the “underbanked” consumer
- Generated \$2.8 billion in LTM revenue and \$386 million in LTM adjusted EBITDA as of June 30, 2011



# Leading Player in Fragmented Marketplace

8,600 Stores <sup>(1)</sup>



Market Share <sup>(1)</sup>	Rent-A-Center / ColorTyme <sup>(2)</sup>	Aaron's <sup>(4)</sup>	Buddy's Home Furnishings <sup>(5)</sup>	Bestway <sup>(5)</sup>	Premier Rentals <sup>(5)</sup>	Rent One <sup>(5)</sup>	Baber's <sup>(5)</sup>	American Rentals <sup>(5)</sup>
	38% <sup>(3)</sup>	22%	1%	1%	< 1%	< 1%	< 1%	< 1%

1) APRO (Association of Progressive Rental Organizations) website dated March 31, 2011

2) Company data as of June 30, 2011

3) Market share excludes the 611 RAC Acceptance Locations

4) Company press release dated July 25, 2011

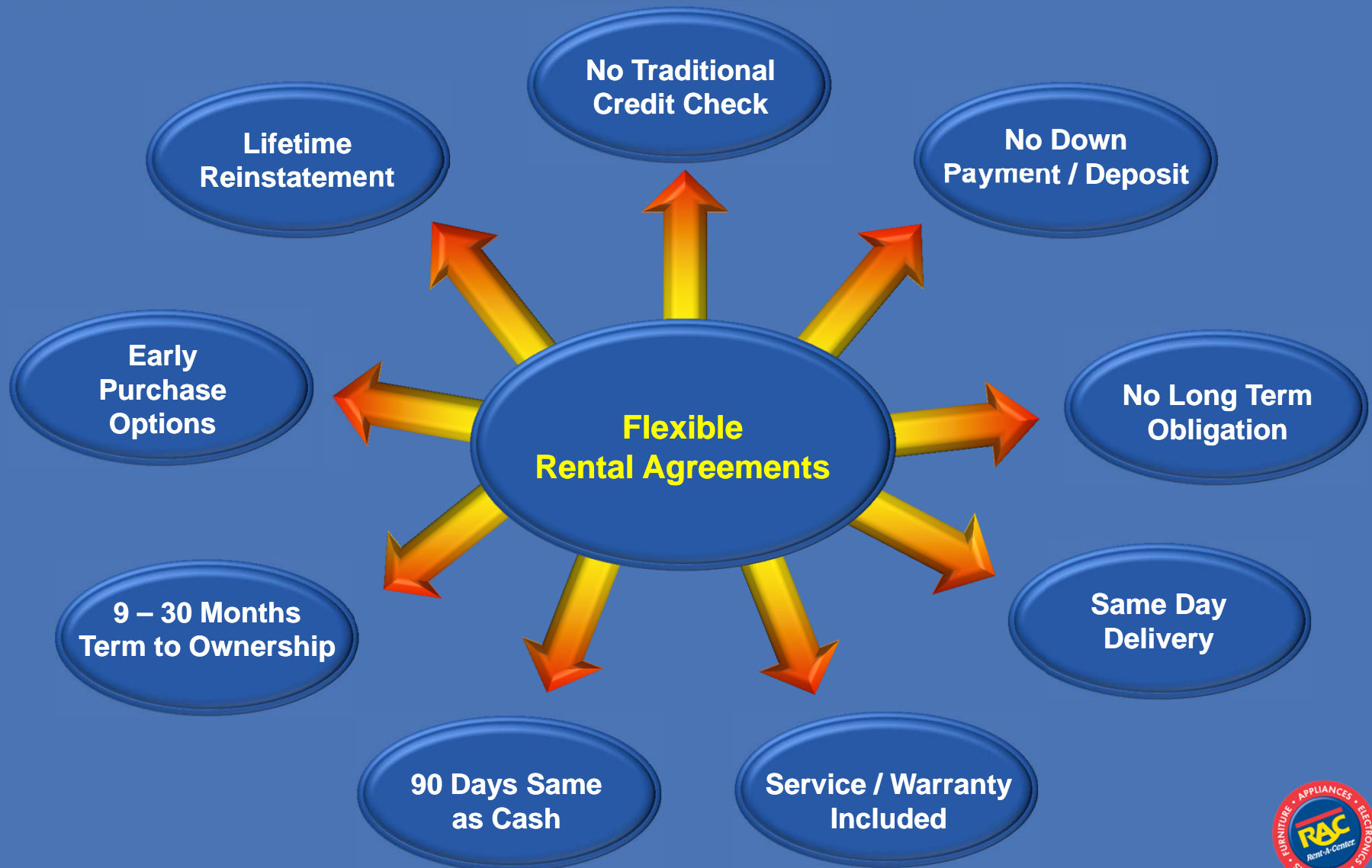
5) Company website estimate as of July 21, 2011

 RAC Acceptance Locations

 Franchise Stores



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



## ...Serving the “Underbanked Working Family”...

- Approximately 83% of customers in the rent-to-own industry have household incomes between \$15,000 and \$50,000 <sup>(1)</sup>
- Approximately 43.6 million households with household incomes between \$15,000 and \$50,000 <sup>(2)</sup>
- Industry is serving only 4.1 million of these households at a given time<sup>(1)</sup>
- Company believes the target market is growing with the “Sub-Prime” market now at 35% of the population<sup>(3)</sup>

1) APRO (Association of Progressive Rental Organizations) website dated March 31, 2011

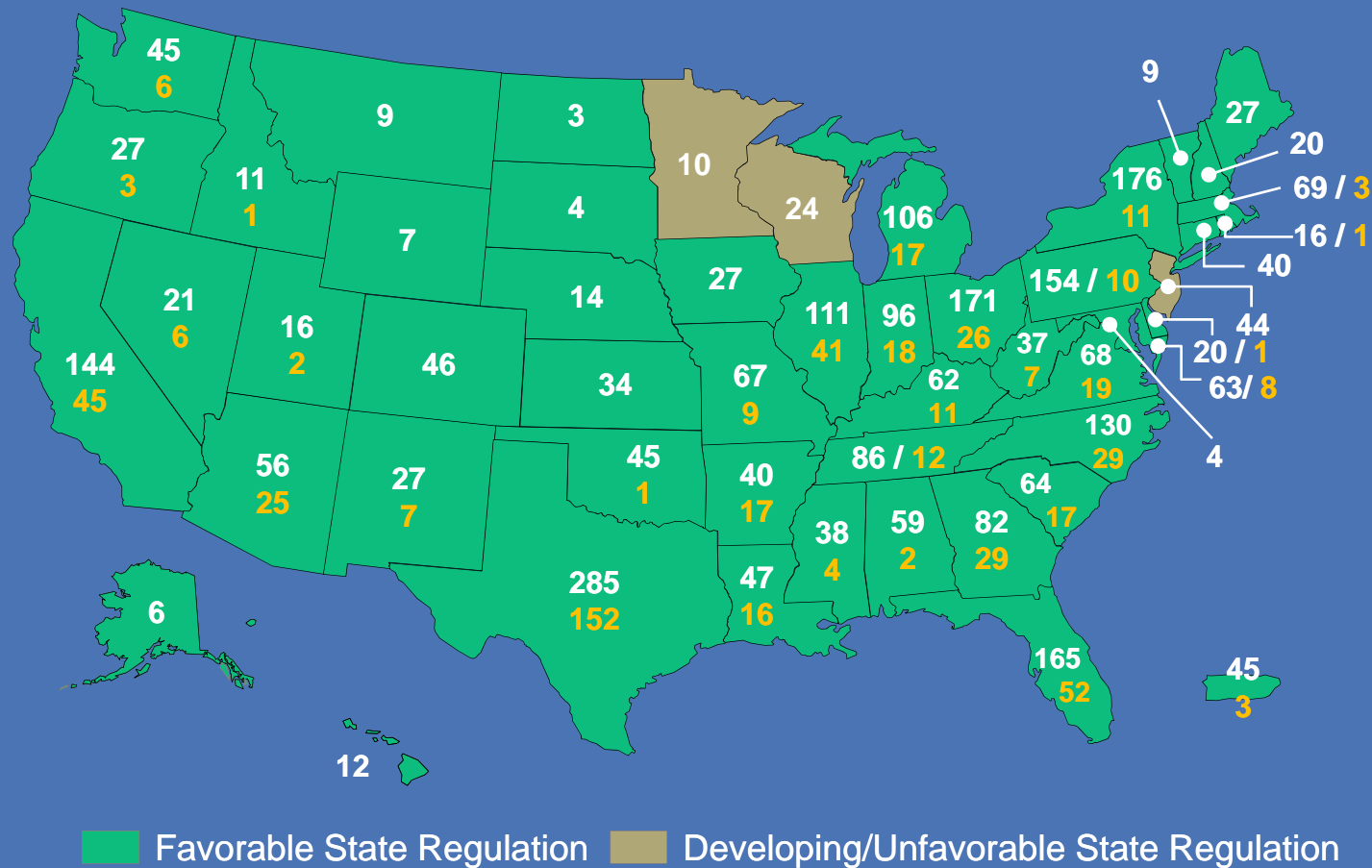
2) U.S. Census Bureau – 2010 CPS Survey

3) FICO report dated July 13, 2010

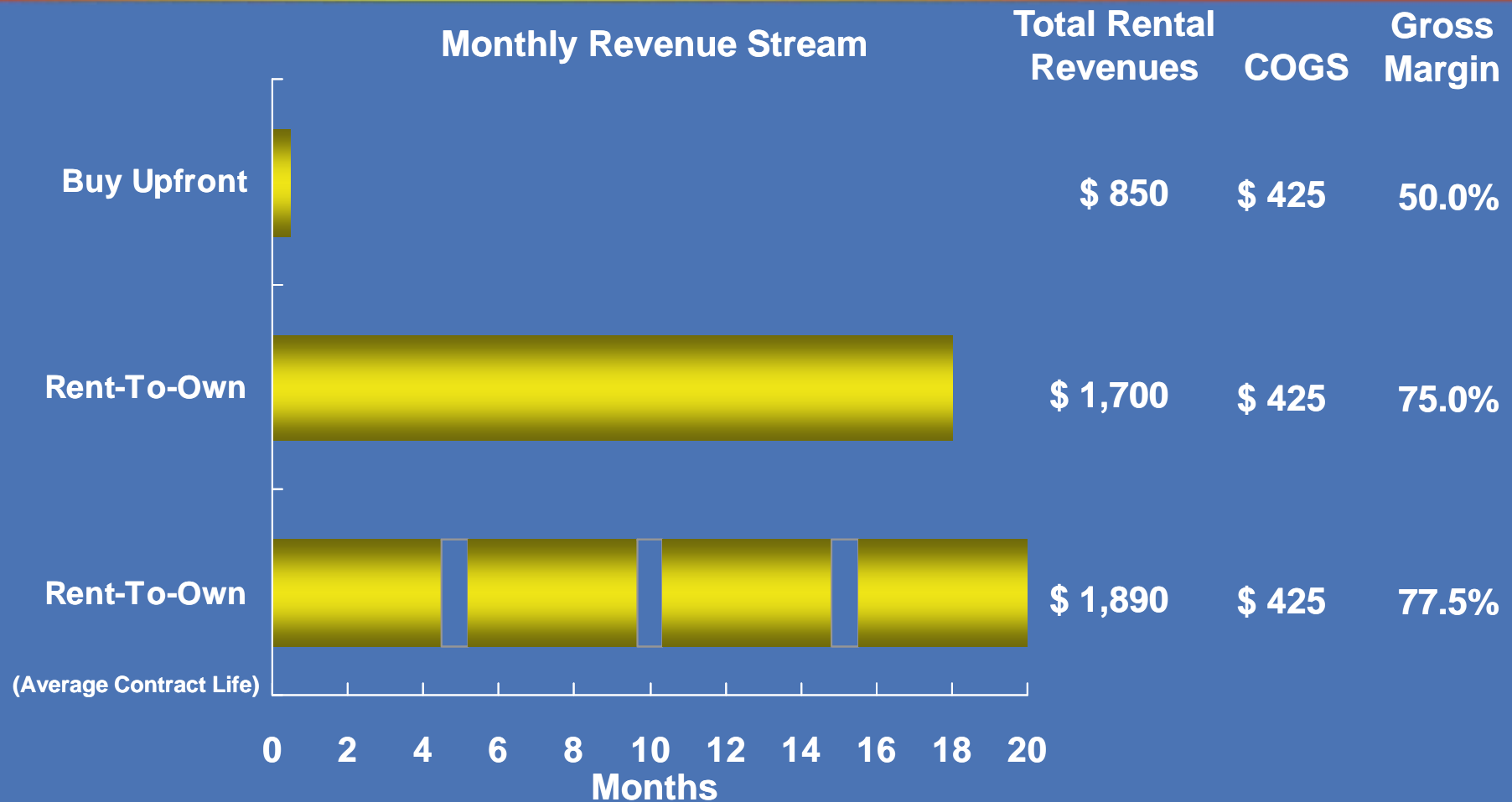


## ...Within a Favorable Legislative Framework...

3,000 domestic company-owned stores and **610 RAC Acceptance locations**



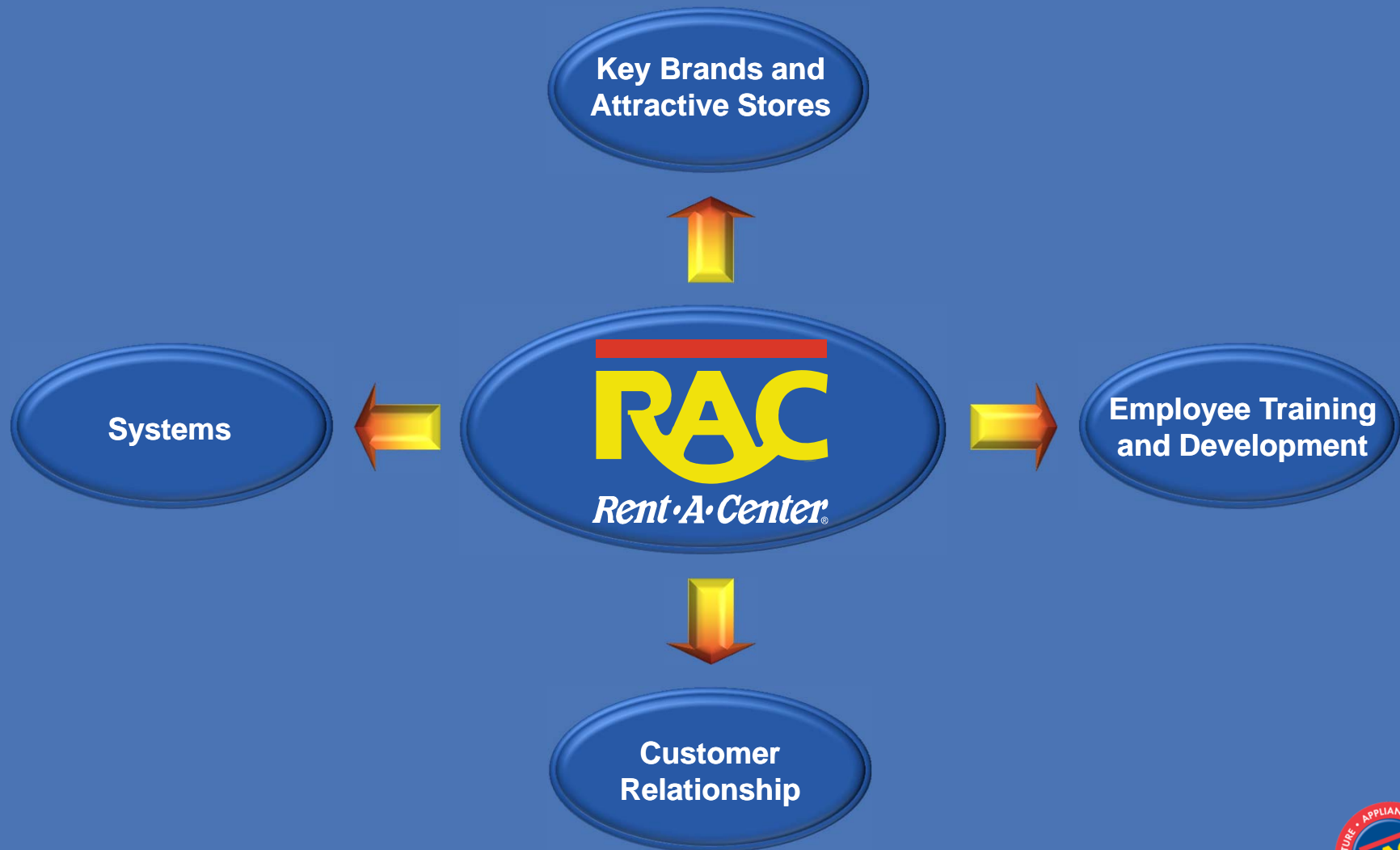
## ...With Attractive Economics



\* The rental purchase transaction is a flexible alternative for consumers with features that include no long-term obligation and the right to terminate the transaction without penalty. For 75% of our initial rental purchase agreements, the customer returns the merchandise before acquiring ownership and the average term of the agreement is 4 to 5 months.



# Proven Business Model



# Easily Accessible, Highly Visible Sites



Leased Sites Only

No Warehouses in U.S. – Vendors Ship Directly to the Stores



# High Quality, Brand-Name Merchandise

## Electronics

32% of Rental Revenue

SONY®

LG  
Life's Good

TOSHIBA

JVC®

PHILIPS



## Furniture

33% of Rental Revenue

ASHLEY®  
FURNITURE INDUSTRIES, INC.

S

STANDARD  
furniture

Serta

klaussner®  
home furnishings



## Appliances

18% of Rental Revenue



## Computers

17% of Rental Revenue

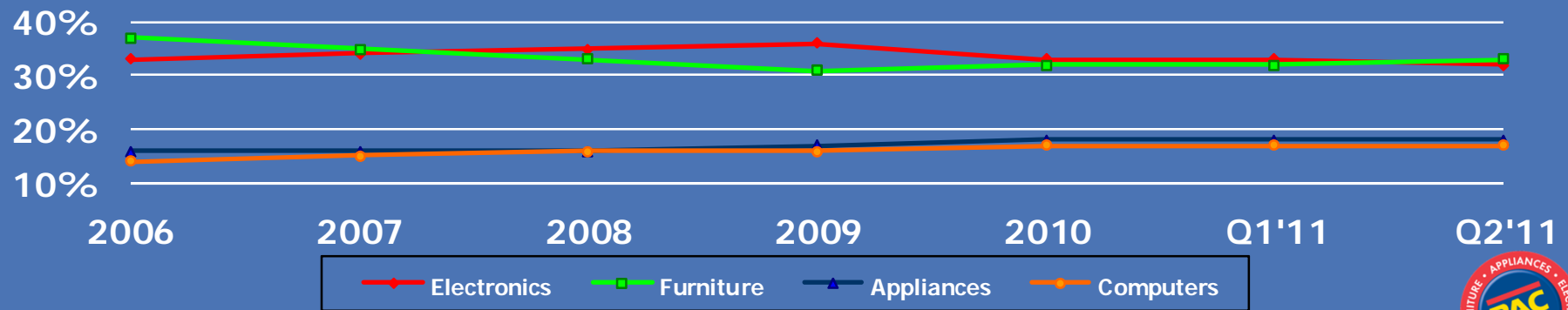
hp®

COMPAQ

SONY®

DELL™

TOSHIBA



Represents a rolling 12 months of actual data

# Growth Opportunities

- RAC Acceptance (location inside of third party retailers)
  - 611 locations at the end of Q2'11
  - Increased openings to 350 – 375, ending 2011 with 720 - 750 locations
  - Contribution of approximately 6% - 7% of total revenue in 2011 and \$15 - \$20 million in EBITDA
  - Significant market potential
- Mexico
  - Opened 5 stores in Q2'11, ending with 15 stores
  - Results exceeding initial projections
  - Rollout of 40 to 55 locations in 2011
  - Potential market of 1,000+ locations
- Canada
  - 18 current locations and plan to open 10 to 20 locations in 2011
  - Potential market of 200 to 300 locations



# Our Forward Focus

- Grow revenue and profitability of core stores
- Open and acquire more stores in the U.S.
- Expand internationally
- Develop current growth opportunities and test other retail concepts
- Leverage our financial strength
  - Invest in technology
  - Maintain a sound balance sheet
  - Maximize shareholder value



# Financial Overview



# Our Story - 2009 to 2014 Growth Projections (Investor Day – November 2010)

- 4% - 6% Revenue growth (CAGR)
- 6% - 7% EBITDA growth (CAGR)
- \$165 - \$225 million FCF generation
- Maximize shareholder value



# Growth Opportunities

	# of Locations					
	'09A	'10A	'11P		'14P	
			Low	High	Low	High
<u>RAC Acceptance</u>						
Investor Day (11/10)	82	200	300	350	600	800
Current	82	384	720	750	1,020	1,200
<u>Mexico</u>						
Investor Day (11/10)	0	5	30	80	180	380
Current	0	5	45	60	195	360
<u>Canada</u>	18	18	25	40	100	190

(1) Growth of initiatives is cumulative from '11P-'14P



# 2011 Guidance

(per July 25, 2011 press release)

	'09A		'10A		'11P	
	\$MM	Margin	\$MM	Margin	Midpoint \$MM	Margin
Total Revenue <sup>(1)</sup>	\$2,696		\$2,732		\$2,888	
% Change	(4.9%)		1.3%		6.0%	
EBITDA <sup>(1)</sup>	\$354	13.1%	\$389	14.3%	\$390	13.5%
% Change	(3.1%)		10.0%			
EPS	\$2.48		\$2.81		\$2.92	
% Change	21.6%		13.3%		4.0%	
Same Store Sales	(3.5%)		Flat		1.5%	

## NOTES:

(1) Excludes DPI from '09A

Reconciliation is available in the appendix at the end of the presentation

(2) Dollars in millions, except EPS



# Capital Structure

(\$MM)	Jun 30, 2011	% of Book Capital	Jun 30, 2010	% of Book Capital
Cash	\$ 74.0		\$ 74.1	
Senior Credit Facilities	361.5	17.8%	622.4	31.5%
Senior Notes	300.0	14.7%	-	-
<b>Total Debt <sup>(1)</sup></b>	<b>661.5</b>	<b>32.5%</b>	<b>622.4</b>	<b>31.5%</b>
Shareholder's Equity	1,371.1	67.5%	1,353.3	68.5%
<b>Total Capitalization</b>	<b>\$2,032.6</b>	<b>100.0%</b>	<b>\$ 1,975.7</b>	<b>100.0%</b>
<b>Net Debt/Total Capitalization</b>		<b>28.9%</b>		<b>27.8%</b>

Q2'11 Consolidated Leverage Ratio 1.58x (per bank covenant , maximum leverage of 3.25x)

Q2'11 Consolidated Fixed Charge Coverage Ratio 1.50x (per bank covenant, minimum fixed charge coverage of 1.35x)



# Schedule of Free Cash Flow

## 2011 Estimate (\$MM)

EBITDA	\$390 - \$410
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Net Cash Interest	(\$35)
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CapEx	(\$100)
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Working Capital	(\$80)
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Taxes	\$95
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Free Cash Flow	\$270 - \$290
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OPERATING CASH FLOW	\$370 - \$390
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CapEx	(\$100)
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Free Cash Flow	\$270 - \$290
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# Capital Allocation Philosophy

- Reinvest for future growth
  - Working capital
  - CAPEX
  - Acquisitions
- Distribute dividends
- Repurchase shares
- Mandatory debt reduction

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# Appendix

# GAAP to Non-GAAP Reconciliation

	FYE '09A	FYE '10A	Jun'11 YTD
<b><u>REVENUE</u></b>			
<b>GAAP TOTAL REVENUE</b>	<b>\$2,752.0</b>	<b>\$2,731.6</b>	<b>\$1,440.4</b>
Less: DPI	56.1	0.0	0.0
<b>Pro Forma TOTAL REVENUE</b>	<b>\$2,695.9</b>	<b>\$2,731.6</b>	<b>\$1,440.4</b>
<b><u>EBITDA</u></b>			
<b>GAAP EBIT</b>	<b>\$270.4</b>	<b>\$274.8</b>	<b>\$134.6</b>
Plus: Litigation Expense (Credit)	(4.9)	0.0	2.8
Plus: Impairment Charge	0.0	18.9	7.3
Plus: Restructuring Charge	0.0	0.0	4.9
Plus: Finance Charges from Refinancing	0.0	3.1	0.0
Plus: Interest Expense, net	26.0	25.9	19.0
Plus: Amortization	2.8	3.3	2.0
Plus: Depreciation	65.8	63.4	31.8
<b>Adjusted EBITDA</b>	<b>\$360.1</b>	<b>\$389.4</b>	<b>\$202.4</b>
Less: DPI	6.1	0.0	0.0
<b>Pro Forma EBITDA</b>	<b>\$354.0</b>	<b>\$389.4</b>	<b>\$202.4</b>

NOTE:

(1) Dollars in millions



# Company Information

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

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

