



## **Rent-A-Center, Inc. Reports Third Quarter 2002 Results; Diluted Earnings Per Share Rise 70.1%; Same Store Sales Increase 6.9%**

October 28, 2002

PLANO, Texas, Oct 28, 2002 /PRNewswire-FirstCall via COMTEX/ -- Rent-A-Center, Inc. (Nasdaq: RCII) (the "Company"), the leading rent-to-own operator in the U.S., today announced revenues and net earnings for the quarter ended September 30, 2002.

The Company, the nation's largest rent-to-own operator, had net earnings for the quarter ended September 30, 2002 of \$41.4 million, or \$1.14 per diluted share. After adjusting reported results for the third quarter of 2001 to exclude the effects of goodwill amortization and a non-recurring charge of \$16.0 million relating to the settlement of its class action gender discrimination lawsuits, net earnings and diluted earnings per common share increased \$16.1 million and \$0.47, respectively. On a comparable basis, this represents an increase in diluted earnings per common share of 70.1%. Total revenues for the quarter ended September 30, 2002 increased to \$494.6 million as compared to \$447.1 million for the same quarter of the prior year. Incremental revenues generated in new and acquired stores, as well as growth in same store revenues primarily drove this 10.6% increase. Same store revenues (revenues earned in stores operated for the entirety of both periods) during the third quarter of 2002 increased 6.9% above the comparable quarter of 2001. The Company's quarterly growth in net earnings resulted primarily from better than expected same store sales and the benefits from the Company's ongoing strict cost control programs.

Net earnings for the nine months ended September 30, 2002 were \$127.0 million, or \$3.48 per diluted share. When excluding the non-recurring charge in 2001 referred to above, this represents an increase of 77.6% over the net earnings of \$71.5 million, or \$1.93 per diluted share for the same period in the prior year. Total revenues for the nine months ended September 30, 2002 increased to \$1.488 billion from \$1.330 billion in 2001, representing an increase of 11.9%. Same store revenues for the nine-month period ending September 30, 2002 increased 6.6%.

"We are pleased to announce another quarter of outstanding results for our company," commented Mark E. Speese, the Company's Chairman and Chief Executive Officer. "Our achievements over the course of the past twelve months have been extraordinary," continued Mr. Speese, "particularly in light of the continued weakness of the economy as a whole and the retail sector in particular."

During the third quarter of 2002, the Company opened 17 new store locations and acquired 23 stores as well as accounts from 25 additional locations. Through the nine month period ending September 30, 2002, the Company has opened 39 new stores, acquired a total of 64 others as well as accounts from 84 additional locations while consolidating 19 stores into existing locations and selling three. To date through the fourth quarter, the Company has opened seven new store locations, acquired 10 stores and accounts from nine additional locations while consolidating one store into an existing location and selling one. "Since we began opening new stores in October of 2000 we have opened 153 new stores," stated Mitchell E. Fadel, the Company's President. "I am pleased to announce that these stores are tracking ahead of our new store model at this point in their life cycle." Mr. Fadel added, "Since new stores have been one of the drivers in our growth initiatives, these results validate our program, which speaks to the continued growth opportunity."

The Company's cash flow from operations was \$92.8 million for the third quarter of 2002 and \$265.7 million for the nine months ended September 30, 2002. The Company reduced its outstanding indebtedness by \$169.3 million for the nine-month period ending September 30, 2002, including \$41.3 million during the third quarter of 2002. Since September 30, 2002, the Company has reduced its outstanding indebtedness by an additional \$12.0 million. In addition, for all of 2002, the Company has repurchased in excess of \$60 million of its common stock, \$25.8 million of which was under its open market repurchase program of \$50 million. Such stock repurchases and debt reductions for 2002 were effected after funding the cost of the new stores and acquisitions mentioned above.

"Our strong recurring cash flow continues to benefit us in terms of managing the day to day business demands as well as allow us to think and act strategically in managing our capital structure for the benefit of all of our stakeholders," Speese commented. "We continue to believe that the growth potential of this company and the industry as a whole is significant," Speese continued "and we have positioned ourselves well for the fourth quarter of 2002 whereby we expect diluted earnings per share to be between \$1.23 to \$1.26. As we look to 2003, we expect earnings of \$5.30 to \$5.45 per diluted share."

Rent-A-Center will host a conference call to discuss the third quarter financial results on Tuesday morning, October 29, 2002, at 10:45 a.m. EST. For a live webcast of the call, visit [http://www.rentacenter.com/coinfo\\_calendar.asp](http://www.rentacenter.com/coinfo_calendar.asp). The webcast will be archived for a period of two weeks.

Rent-A-Center, Inc., headquartered in Plano, Texas, currently operates 2,377 company-owned stores nationwide and in Puerto Rico. The stores generally offer high-quality, durable goods such as home electronics, appliances, computers and furniture and accessories to consumers under flexible rental purchase agreements that generally allow the customer to obtain ownership of the merchandise at the conclusion of an agreed-upon rental period. ColorTyme, Inc., a wholly owned subsidiary of the Company, is a national franchiser of 315 rent-to-own stores, 303 of which operate under the trade name of "ColorTyme," and the remaining 12 of which operate under the "Rent-A-Center" name.

The following statements are based on current expectations. These statements are forward-looking, and actual results may differ materially. These statements do not include the potential impact of store acquisitions or changes in our capital structure that may be completed after September 30,

2002.

FOURTH QUARTER 2002 GUIDANCE:

Revenues

- The Company expects total revenues to be in the range of \$500 million to \$505 million.
- Store rental and fee revenues are expected to be between \$462 million and \$467 million.
- Total store revenues are expected to be in the range of \$487 million to \$492 million.
- Same store sales increases are expected to be in the 2% to 4% range.
- The Company expects to open 20-25 new store locations.

Expenses

- The Company expects depreciation of rental merchandise to be between 20.8% and 21.2% of store rental and fee revenue and cost of goods merchandise sales to be between 72% and 77% of store merchandise sales.
- Store salaries and other expenses are expected to be in the range of 54.0% to 56.0% of total store revenue.
- General and administrative expenses are expected to be between 3.0% and 3.2% of total revenue.
- Interest expense is expected to be approximately \$14.0 million and amortization of intangibles is expected to be approximately \$1.7 million.
- The effective tax rate is expected to be approximately 40.0% of pre-tax income.
- Diluted earnings per share are estimated to be in the range of \$1.23 to \$1.26.
- Diluted shares outstanding are estimated to be between 36.3 million and 36.7 million.

FISCAL 2003 GUIDANCE:

Revenues

- The Company expects total revenues to be in the range of \$2.085 billion and \$2.093 billion.
- Store rental and fee revenues are expected to be between \$1.916 billion and \$1.924 billion.
- Total store revenues are expected to be in the range of \$2.029 billion and \$2.037 billion.
- Same store sales increases are expected to be in the 2% to 4% range.
- The Company expects to open approximately 80 to 120 new store locations.

Expenses

- The Company expects depreciation of rental merchandise to be between 20.7% and 21.1% of store rental and fee revenue and cost of goods merchandise sales to be between 72% and 77% of store merchandise sales.
- Store salaries and other expenses are expected to be in the range of 53.5% to 55.5% of total store revenue.
- General and administrative expenses are expected to be between 3.0% and 3.2% of total revenue.
- Interest expense is expected to be between \$50.0 million and \$56.0 million and amortization of intangibles is expected to be approximately \$7.0 million.
- Tax rate is expected to be between 39.0% and 39.5% of pre-tax income.
- Diluted earnings per share are estimated to be in the range of \$5.30 to \$5.45.
- Diluted shares outstanding are estimated to be between 36.8 million and 37.4 million.

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 stores; the Company's ability to acquire additional rent-to-own stores on favorable terms; the Company's ability to enhance the performance of these acquired stores; the Company's ability to control store level costs and implement its margin enhancement initiatives; the Company's ability to realize benefits from its margin enhancement initiatives; the results of the Company's litigation; the passage of legislation adversely affecting the rent-to-own industry; interest rates; the Company's ability to collect on its rental purchase agreements; the Company's ability to effectively hedge interest rates on its outstanding debt; changes in the Company's effective tax rate; and the other risks detailed from time to time in the Company's SEC filings, including but not limited to, its annual report on Form 10-K for the year ended December 31, 2001 and its quarterly reports on Form 10-Q for the quarter ended March 31, 2002 and on Form 10-Q for the quarter ended June 30, 2002. 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.

#### STATEMENT OF EARNINGS HIGHLIGHTS

(In Thousands of Dollars, except per share data)

	Three Months Ended September 30,		
	2002	2001 Before Non- Recurring Legal Charge Unaudited	2001 After Non- Recurring Legal Charge
Total Revenue	\$ 494,561	\$ 447,074	\$ 447,074
Operating Profit	84,087	48,372	32,372 (A)
Net Earnings	41,449	18,934	9,974 (A)
Diluted Earnings Per Common Share	\$ 1.14	\$ 0.50	\$ 0.26 (A)
EBITDA	\$ 95,292	\$ 65,904	\$ 49,904 (A)

	Nine Months Ended September 30,			
	2002 Before Non- Recurring Charges	2002 After Non- Recurring Charges Unaudited	2001 Before Non- Recurring Charge	2001 After Non- Recurring Legal Charge
Total Revenue	\$1,487,831	\$1,487,831	\$1,329,535	\$1,329,535
Operating Profit	262,623	260,623 (B)	177,497	161,497 (A)
Net Earnings	129,876	126,955 (B)	71,477	62,517 (A)
Diluted Earnings Per Common Share	\$ 3.56	\$ 3.48 (B)	\$ 1.93	\$ 1.68 (A)
EBITDA	\$ 294,348	\$ 292,348 (B)	\$ 228,005	\$ 212,005 (A)

(A) Including the effects of a pre-tax legal charge of \$16.0 million associated with the settlement of class action gender discrimination lawsuits.

(B) Including the effects of a pre-tax legal charge of \$2.0 million associated with the settlement of class action gender discrimination lawsuits and \$2.9 million associated with the early retirement of debt.

Diluted Earnings Per Common Share before Goodwill Amortization

(In Thousands of Dollars, Three Months Ended September 30,  
except per share data)

	2002	2001 Before Non- Recurring Legal Charge Unaudited	2001 After Non- Recurring Legal Charge
Net Earnings	\$ 41,449	\$ 18,934	\$ 9,974 (A)
Goodwill Amortization Net of Tax Effects	---	6,380	6,380
Adjusted Net Earnings	\$ 41,449	\$ 25,314	\$ 16,354 (A)
Diluted Weighted Average Shares Outstanding	36,431	37,779	37,779
Diluted Earnings Per Common Share Before Goodwill Amortization	\$ 1.14	\$ 0.67	\$ 0.43 (A)

Nine Months Ended September 30,

	2002 Before Non- Recurring Charges	2002 After Non- Recurring Charges Unaudited	2001 Before Non- Recurring Legal Charge	2001 After Non- Recurring Legal Charge
Net Earnings	\$129,876	\$126,955 (B)	\$71,477	\$62,517 (A)
Goodwill Amortization Net of Tax Effects	---	---	18,725	18,725
Adjusted Net Earnings	\$129,876	\$126,955 (B)	\$90,202	\$81,242 (A)
Diluted Weighted Average Shares Outstanding	36,489	36,489	37,117	37,117
Diluted Earnings Per Common Share Before Goodwill Amortization	\$ 3.56	\$ 3.48 (B)	\$ 2.43	\$ 2.19 (A)

(A) Including the effects of a pre-tax legal charge of \$16.0 million associated with the settlement of class action gender discrimination lawsuits.

(B) Including the effects of a pre-tax legal charge of \$2.0 million associated with the settlement of class action gender discrimination lawsuits and \$2.9 million associated with the early retirement of debt.

Selected Balance Sheet Data: September 30, 2002 December 31, 2001  
(in Thousands of Dollars)

Cash and cash equivalents	\$ 110,261	\$ 107,958
Prepaid expenses and other assets	28,043	29,846
Rental merchandise, net		
On rent	505,397	531,627
Held for rent	119,197	122,074

Total Assets	1,611,058	1,619,920
Senior debt	260,000	428,000
Subordinated notes payable	273,312	274,506
Total Liabilities	801,672	922,632
Stockholders' Equity and Redeemable Preferred Stock	809,386	697,288

CONSOLIDATED STATEMENTS OF EARNINGS

(In Thousands of Dollars, except per share data)

Three Months Ended September 30,

2002                      2001

Unaudited

Store Revenue		
Rentals and Fees	\$ 456,208	\$ 411,241
Merchandise Sales	24,710	21,569
Other	561	640
	481,479	433,450
Franchise Revenue		
Franchise Merchandise Sales	11,566	12,087
Royalty Income and Fees	1,516	1,537
Total Revenue	494,561	447,074
Operating Expenses		
Direct Store Expenses		
Depreciation of Rental Merchandise	95,508	86,198
Cost of Merchandise Sold	18,471	17,176
Salaries and Other Expenses	268,552	261,992
Franchise Operation Expenses		
Cost of Franchise Merchandise Sales	11,061	11,624
	393,592	376,990
General and Administrative Expenses	15,325	13,974
Amortization of Intangibles	1,557	7,738
Non-Recurring Legal Settlements	---	16,000
Total Operating Expenses	410,474	414,702
Operating Profit	84,087	32,372
Interest Expense	15,301	14,837
Interest Income	(588)	(282)
Earnings Before Income Taxes	69,374	17,817
Income Tax Expense	27,925	7,843
NET EARNINGS	41,449	9,974
Preferred Dividends	1,321	2,709
Net earnings allocable to common stockholders	\$ 40,128	\$ 7,265
BASIC WEIGHTED AVERAGE SHARES	32,355	26,666
BASIC EARNINGS PER COMMON SHARE	\$ 1.24	\$ 0.27

DILUTED WEIGHTED AVERAGE SHARES	36,431	37,779
DILUTED EARNINGS PER COMMON SHARE	\$ 1.14	\$ 0.26

CONSOLIDATED STATEMENTS OF EARNINGS

(In Thousands of Dollars, except per share data)      Nine Months Ended September 30,  
2002      2001  
Unaudited

Store Revenue		
Rentals and Fees	\$1,356,062	\$1,213,387
Merchandise Sales	88,309	72,440
Other	1,742	2,878
	1,446,113	1,288,705
Franchise Revenue		
Franchise Merchandise Sales	37,305	36,346
Royalty Income and Fees	4,413	4,484
Total Revenue	1,487,831	1,329,535
Operating Expenses		
Direct Store Expenses		
Depreciation of Rental		
Merchandise	282,085	251,286
Cost of Merchandise Sold	62,950	54,176
Salaries and Other Expenses	795,649	748,576
Franchise Operation Expenses		
Cost of Franchise Merchandise		
Sales	35,598	34,821
	1,176,282	1,088,859
General and Administrative		
Expenses	47,727	40,777
Amortization of Intangibles	3,199	22,402
Non-Recurring Legal Settlements	---	16,000
Total Operating Expenses	1,227,208	1,168,038
Operating Profit	260,623	161,497
Non-Recurring Finance Charge	2,909	---
Interest Expense	46,656	47,215
Interest Income	(2,016)	(870)
Earnings Before Income Taxes	213,074	115,152
Income Tax Expense	86,119	52,635
NET EARNINGS	126,955	62,517
Preferred Dividends	10,211	12,087
Net earnings allocable to common stockholders	\$ 116,744	\$ 50,430
BASIC WEIGHTED AVERAGE SHARES	27,526	25,766
BASIC EARNINGS PER COMMON SHARE	\$ 4.24	\$ 1.96
DILUTED WEIGHTED AVERAGE SHARES	36,489	37,117

