



## Rent-A-Center, Inc. Reports Second Quarter 2002 Results

July 29, 2002

PLANO, Texas, Jul 29, 2002 /PRNewswire-FirstCall via COMTEX/ --

**Total Revenues Increase 11.7%; Same Store Sales Increase 6.6%; Diluted Earnings Per Share Rise 34.1%**

Rent-A-Center, Inc. (Nasdaq: RCI) (the "Company"), the leading rent-to-own operator in the U.S., today announced revenues and net earnings for the quarter ended June 30, 2002.

The Company, the nation's largest rent-to-own operator, had total revenues for the quarter ended June 30, 2002 of \$494.7 million, a \$51.9 million increase from \$442.8 million for the same period in the prior year. This increase of 11.7% in revenues was primarily driven by growth in same store revenues, as well as incremental revenues generated in new and acquired stores. Same store revenues (revenues earned in stores operated for the entirety of both periods) during the second quarter of 2002 increased 6.6% above the comparable quarter of 2001.

Net earnings for the quarter ended June 30, 2002, when excluding the charges discussed below, were \$44.9 million, or \$1.22 per diluted share. This represented an increase of 62.9% over net earnings of \$27.5 million, or \$0.74 per diluted share, reported for the same period in the prior year. After adjusting reported results for the second quarter of 2001 to exclude the effects of goodwill amortization, net earnings and diluted earnings per common share increased \$11.1 million and \$0.31, respectively, for an increase in diluted earnings per common share of 34.1%, on a comparable basis. The increase in net earnings and earnings per diluted share are primarily attributable to the Company's increase in revenues, operational improvements in existing stores and a continued focus on cost control.

Net earnings for the six months ended June 30, 2002, were \$88.4 million, or \$2.42 per diluted share, when excluding the charges discussed below, representing an increase of 68.3% over net earnings of \$52.5 million, or \$1.43 per diluted share for the same period in the prior year. After adjusting reported results for the six-month period ending June 30, 2001 to exclude the effects of goodwill amortization, net earnings and diluted earnings per common share increased \$23.5 million and \$0.66, respectively, for an increase in diluted earnings per common share of 37.5%, on a comparable basis. Total revenues for the six months ended June 30, 2002 increased to \$993.3 million from \$882.5 million in 2001, representing an increase of 12.6%. Same store revenues for the six-month period ending June 30, 2002 increased 6.7%.

"We are pleased to report another quarter of outstanding results," commented Mark E. Speese, the Company's Chairman and Chief Executive Officer. "Our continued ability to meet, and in many cases, exceed our stated objectives in terms of revenue and earnings growth," Speese continued, "further validates our business model and speaks to the opportunities inherent in the industry for continued growth. Needless to say, we expect to be at the forefront of that growth."

During the second quarter of 2002, the Company strengthened its balance sheet with the prepayment of \$128 million of term debt. Associated with the prepayment was a write-off of financing fees of approximately \$2.9 million. The Company also recorded a charge of \$2.0 million during the second quarter relating to the settlement of its class action gender discrimination lawsuits, which is included in general and administrative expenses on the quarterly income statement. These charges reduced diluted earnings per share in the quarter by \$0.08 to the reported diluted earnings per share of \$1.14.

In addition, during the second quarter of 2002, the Company opened 16 new locations and acquired 38 additional stores while consolidating three locations into existing stores. The Company also purchased accounts from 40 additional locations during the second quarter of 2002. Since June 30, 2002, the Company has opened four additional new stores, consolidated one store with an existing location and has purchased accounts from four additional locations. For the entire year ending December 31, 2002, the Company intends to add approximately 5% to 10% to its store base by opening between 60 and 80 new store locations as well as continuing to pursue opportunistic acquisitions. The Company expects to accelerate the number of new store openings each year beginning in 2003 to between 100 and 120 new store locations.

The strong recurring cash flows have enabled the Company to fund its growth internally. Through the six-month period ending June 30, 2002, the Company had cash flow from operations of approximately \$172.9 million and, after funding its growth and reducing debt by \$128 million, ended the quarter with \$93.8 million of cash on hand. "This performance clearly demonstrates our ability to grow our store base and reduce our outstanding debt simultaneously," commented Speese.

Rent-A-Center will host a conference call to discuss the second quarter financial results on Tuesday morning July 30, 2002 at 10:45 a.m. EDT. 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 2,338 rent-to-own stores in 50 states, Washington, D.C. and Puerto Rico, offering high-quality, durable goods such as consumer electronics, appliances, computers, furniture and accessories to consumers under flexible rental purchase arrangements that 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 327 rent-to-own stores, 315 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, the prepayment of debt and other changes in our capital structure that may be completed after June 30, 2002.

THIRD QUARTER 2002 GUIDANCE:

Revenues

- The Company expects total revenues to be in the range of \$488 million to \$494 million.
- Store rental and fee revenues are expected to be between \$452 million and \$456 million.
- Total store revenues are expected to be in the range of \$475 million to \$480 million.
- Same store sales increases are expected to be in the 4% to 6% range.
- The Company expects to open 15-20 new store locations.

Expenses

- The Company expects depreciation of rental merchandise to be between 20.7% and 20.9% of store rental and fee revenue and cost of goods merchandise sales to be between 75% and 85% of store merchandise sales.
- Store salaries and other expenses are expected to be in the range of 55.8% and 56.8% of total store revenue.
- General and administrative expenses are expected to be between 3.0% and 3.3% of total revenue.
- Interest expense is expected to be approximately \$13.5 million and amortization is expected to be approximately \$0.9 million.
- The effective tax rate is expected to be approximately 40.5% of pre-tax income.
- Diluted earnings per share are estimated to be in the range of \$1.06 to \$1.10.
- Diluted shares outstanding are estimated to be between 36.9 million and 37.3 million.

FISCAL 2002 GUIDANCE:

Revenues

- The Company expects total revenues to be in the range of \$1.98 billion and \$2.00 billion.
- Store rental and fee revenues are expected to be between \$1.808 billion and \$1.823 billion.
- Total store revenues are expected to be in the range of \$1.921 billion and \$1.936 billion.
- Same store sales increases are expected to be in the 4% to 6% range.
- The Company expects to open a total of 60-80 new store locations.

Expenses

- The Company expects depreciation of rental merchandise to be between 20.7% and 20.8% 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 54.6% and 55.8% 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 \$56.0 million and \$60.0 million and amortization of intangibles is expected to be approximately \$3.5 million.
- The effective tax rate is expected to be approximately 40.5% of pre-tax income.
- Diluted earnings per share are estimated to be in the range of \$4.57 to \$4.65, or \$4.65 to \$4.73 when excluding the \$0.08 in charges recorded in the second quarter of 2002.
- Diluted shares outstanding are estimated to be between 36.7 million and 37.1 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 report on Form 10-Q for the three month period ending March 31, 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.

Rent-A-Center, Inc. and Subsidiaries

STATEMENT OF EARNINGS HIGHLIGHTS

(In Thousands of Dollars, except per share data)

	Three Months Ended June 30,		
	2002 Before Non- Recurring Charges	2002 After Non-Recurring Charges	2001
	Unaudited		
Total Revenue	\$494,660	\$494,660	\$442,759
Operating Profit	90,240	88,240 (A)	66,640
Net Earnings	44,864	41,943 (A)	27,545
Diluted Earnings Per Common Share	\$ 1.22	\$ 1.14 (A)	\$ 0.74
EBITDA	\$100,574	\$ 98,574 (A)	\$ 83,543

	Six Months Ended June 30,		
	2002 Before Non- Recurring Charges	2002 After Non-Recurring Charges	2001
	Unaudited		
Total Revenue	\$993,270	\$993,270	\$882,461
Operating Profit	178,536	176,536 (A)	129,125
Net Earnings	88,427	85,506 (A)	52,543
Diluted Earnings Per Common Share	\$ 2.42	\$ 2.34 (A)	\$ 1.43
EBITDA	\$199,056	\$197,056 (A)	\$162,101

(A) 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. These charges reduced diluted earnings per share by \$0.08 from \$1.22 per diluted share to \$1.14.

Rent-A-Center, Inc. and Subsidiaries

Diluted Earnings Per Common Share before Goodwill Amortization

(In Thousands of Dollars, except per share data)

	Three Months Ended June 30,		
	2002 Before Non- Recurring Charges	2002 After Non-Recurring Charges Unaudited	2001
Net Earnings	\$ 44,864	\$ 41,943 (A)	\$ 27,545
Goodwill Amortization Net of Tax Effects	---	---	6,197
Adjusted Net Earnings	\$ 44,864	\$ 41,943 (A)	\$ 33,742
Diluted Weighted Average Shares Outstanding	36,715	36,715	37,195
Diluted Earnings Per Common Share Before Goodwill Amortization	\$ 1.22	\$ 1.14 (A)	\$ 0.91

	Six Months Ended June 30,		
	2002 Before Non- Recurring Charges	2002 After Non- Recurring Charges Unaudited	2001
Net Earnings	\$ 88,427	\$ 85,506 (A)	\$ 52,543
Goodwill Amortization Net of Tax Effects	---	---	12,359
Adjusted Net Earnings	\$ 88,427	\$ 85,506 (A)	\$ 64,902
Diluted Weighted Average Shares Outstanding	36,518	36,518	36,785
Diluted Earnings Per Common Share Before Goodwill Amortization	\$ 2.42	\$ 2.34 (A)	\$ 1.76

(A) 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. These charges reduced diluted earnings per share by \$0.08 from \$1.22 per diluted share to \$1.14.

Selected Balance Sheet Data: (in Thousands of Dollars)

	June 30, 2002	Dec. 31, 2001
Cash and cash equivalents	\$ 93,824	\$107,958
Prepaid expenses and other assets	31,335	29,846
Rental merchandise, net		
On rent	517,500	531,627
Held for rent	131,705	122,074
Total Assets	1,604,597	1,619,920
Senior debt	300,000	428,000
Subordinated notes payable	274,543	274,506
Total Liabilities	830,342	922,632
Stockholders' Equity and Redeemable Preferred Stock	774,255	697,288

Rent-A-Center, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF EARNINGS

(In Thousands of Dollars, except per share data)

Three Months Ended June 30,  
2002                      2001  
Unaudited

Store Revenue		
Rentals and Fees	\$456,149	\$409,023
Merchandise Sales	23,994	20,112
Other	567	908
	480,710	430,043
Franchise Revenue		
Franchise Merchandise Sales	12,486	11,232
Royalty Income and Fees	1,464	1,484
Total Revenue	494,660	442,759
Operating Expenses		
Direct Store Expenses		
Depreciation of Rental Merchandise	94,354	84,276
Cost of Merchandise Sold	17,497	15,445
Salaries and Other Expenses	264,478	244,365
Franchise Operation Expenses		
Cost of Franchise Merchandise Sales	11,884	10,703
	388,213	354,789
General and Administrative Expenses	17,285	13,934
Amortization of Intangibles	922	7,396
Total Operating Expenses	406,420	376,119
Operating Profit	88,240	66,640
Non-Recurring Finance Charge	2,909	---
Interest Income	(705)	(227)
Interest Expense	15,557	15,868
Earnings Before Income Taxes	70,479	50,999
Income Tax Expense	28,536	23,454
NET EARNINGS	41,943	27,545
Preferred Dividends	3,898	5,053
Net earnings allocable to common stockholders	\$ 38,045	\$ 22,492
BASIC WEIGHTED AVERAGE SHARES	25,708	25,672
BASIC EARNINGS PER COMMON SHARE	\$ 1.48	\$ 0.88
DILUTED WEIGHTED AVERAGE SHARES	36,715	37,195
DILUTED EARNINGS PER COMMON SHARE	\$ 1.14	\$ 0.74

Rent-A-Center, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF EARNINGS

(In Thousands of Dollars, except per share data)

	Six Months Ended June 30,	
	2002	2001
	Unaudited	
Store Revenue		
Rentals and Fees	\$899,854	\$802,146
Merchandise Sales	63,599	50,871
Other	1,181	2,238
	964,634	855,255
Franchise Revenue		
Franchise Merchandise Sales	25,739	24,259
Royalty Income and Fees	2,897	2,947
Total Revenue	993,270	882,461
Operating Expenses		
Direct Store Expenses		
Depreciation of Rental Merchandise	186,577	165,088
Cost of Merchandise Sold	44,479	37,000

Salaries and Other Expenses	527,097	486,584
Franchise Operation Expenses		
Cost of Franchise Merchandise Sales	24,537	23,197
	782,690	711,869
General and Administrative Expenses	32,402	26,803
Amortization of Intangibles	1,642	14,664
Total Operating Expenses	816,734	753,336
Operating Profit	176,536	129,125
Non-Recurring Finance Charge	2,909	---
Interest Income	(1,428)	(588)
Interest Expense	31,355	32,378
Earnings Before Income Taxes	143,700	97,335
Income Tax Expense	58,194	44,792
NET EARNINGS	85,506	52,543
Preferred Dividends	8,890	9,378
Net earnings allocable to common stockholders	\$ 76,616	\$ 43,165
BASIC WEIGHTED AVERAGE SHARES	25,111	25,303
BASIC EARNINGS PER COMMON SHARE	\$ 3.05	\$ 1.71
DILUTED WEIGHTED AVERAGE SHARES	36,518	36,785
DILUTED EARNINGS PER COMMON SHARE	\$ 2.34	\$ 1.43

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