# Rent-A-Center:

Second Quarter 2020 Earnings Review

# IMPORTANT NOTICES

Forward-Looking Statements

This communication contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, among others, statements regarding our goals, plans and projections with respect to our operations, financial position and business strategy. Such forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "could," "estimate," "predict," "continue," "should," "anticipate," "believe," or “confident,” or the negative thereof or variations thereon or similar terminology. Such forward-looking statements are based on particular assumptions that our management has made in light of its experience and its perception of expected future developments and other factors that it believes are appropriate under the circumstances, and are subject to various risks and uncertainties. Factors that could cause or contribute to material and adverse differences between actual and anticipated results include, but are not limited to, the impact on our business of the COVID-19 pandemic and related federal, state, and local government restrictions, including adverse changes in such restrictions or the potential re-imposition of such restrictions limiting our ability to operate or that of our retail partners or franchisees, and the continuing economic uncertainty and volatility that has resulted from such matters and the other risks detailed from time to time in the reports filed by us with the SEC, including our most recently filed Annual Report on Form 10-K, as may be updated by reports on Form 10-Q or Form 8-K filed thereafter. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this communication. Except as required by law, we are not obligated to, and do not undertake to, publicly release any revisions to these forward-looking statements to reflect any events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

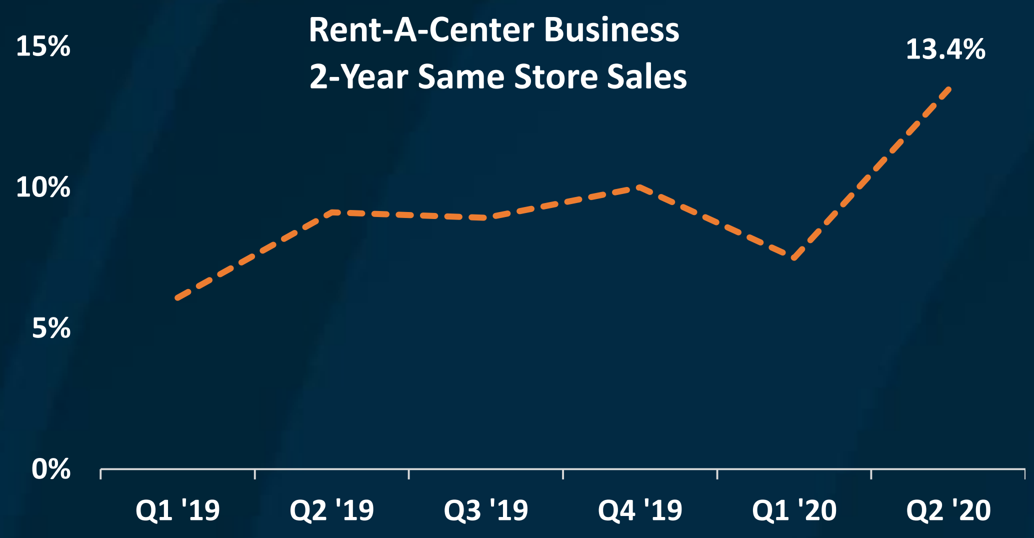
Use of Non-GAAP Financial Measures

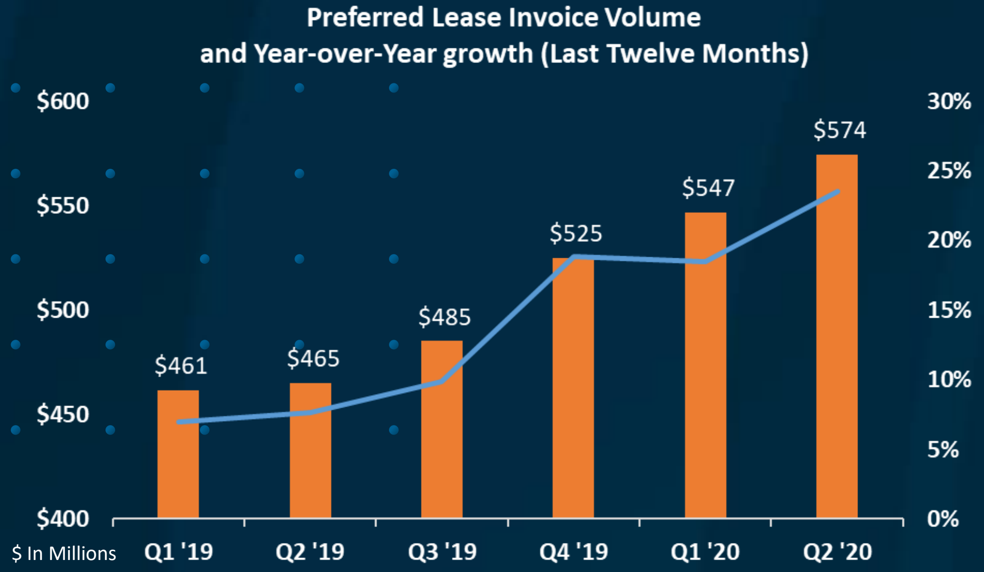
This communication contains certain financial information determined by methods other than in accordance with U.S. Generally Accepted Accounting Principles (GAAP), including (1) Non-GAAP diluted earnings per share (net earnings, as adjusted for special items (as defined below), net of taxes, divided by the number of shares of our common stock on a fully diluted basis), (2) Adjusted EBITDA (net earnings before interest, taxes, depreciation and amortization, as adjusted for special items) on a consolidated and segment basis and (3) Free Cash Flow (net cash provided by operating activities less capital expenditures). “Special items” refers to certain gains and charges we view as extraordinary, unusual or non-recurring in nature and which we believe do not reflect our core business activities. For the periods presented herein, these special items are described in the quantitative reconciliation tables included below in this communication.  Because of the inherent uncertainty related to the special items, management does not believe it is able to provide a meaningful forecast of the comparable GAAP measures or reconciliation to any forecasted GAAP measure.

These non-GAAP measures are additional tools intended to assist our management in comparing our performance on a more consistent basis for purposes of business decision-making by removing the impact of certain items management believes do not directly reflect our core operations.  These measures are intended to assist management in evaluating operating performance and liquidity, comparing performance and liquidity across periods, planning and forecasting future business operations, helping determine levels of operating and capital investments and identifying and assessing additional trends potentially impacting our company that may not be shown solely by comparisons of GAAP measures.  Consolidated Adjusted EBITDA and Free Cash Flow are also used as part our incentive compensation program for our executive officers and others.

We believe these non-GAAP financial measures also provide supplemental information that is useful to investors, analysts and other external users of our consolidated financial statements in understanding our financial results and evaluating our performance and liquidity from period to period. However, non-GAAP financial measures have inherent limitations and are not substitutes for or superior to, and they should be read together with, our consolidated financial statements prepared in accordance with GAAP. Further, because non-GAAP financial measures are not standardized, it may not be possible to compare such measures to the non-GAAP financial measures presented by other companies, even if they have the same or similar names.

Note that all sources in this presentation are from Company reports and Company estimates unless otherwise noted.




# SECOND QUARTER 2020 REVIEW

- Consolidated revenues of $684M, up 4.2% versus the second quarter of 2019
- Second quarter Adjusted EBITDA of $75.9 million increased 12.6% over the second quarter 2019 and Non-GAAP Diluted EPS of $0.80 increased 32.8% over second quarter 2019
- Tenth consecutive quarter of positive same store sales in the Rent-A-Center Business (+13.4% on a 2-year basis), with a significant increase in profitability
- E-commerce +60% in second quarter to 19% of Rent-A-Center Business sales; on track to reach 25% of sales in 2020
- Preferred Lease revenue grew 8% over second quarter 2019, driven by 25% invoice volume growth year-over-year

Note: Same store sale methodology - Same store sales generally represents revenue earned in stores that were operated by us for 13 months or more and are reported on a constant currency basis as a percentage of total revenue earned in stores of the segment during the indicated period. The Company excludes from the same store sales base any store that receives a certain level of customer accounts from closed stores or acquisitions. The receiving store will be eligible for inclusion in the same store sales base in the 24th full month following account transfer. Due to the COVID-19 pandemic and related temporary store closures, all 32 stores in Puerto Rico were excluded starting in March 2020 and will remain excluded for 18 months.

# 2020 GUIDANCE:

| | Annual Guidance [1] | |
|---|---|---|
| | **Low** | **High** |
| **Consolidated [2]** | | |
| Revenue ($B) | $2.755 | $2.875 |
| Adjusted EBITDA ($M)[4] | $255 | $285 |
| Non-GAAP Diluted EPS[4] | $2.45 | $2.85 |
| Free Cash Flow ($M) [3,4] | $135 | $165 |

**[1] The Company is reinstating Revenue, Adjusted EBITDA, and Non-GAAP earnings per share guidance for its 2020 fiscal year provided on February 24, 2020 given performance during the first half of 2020 and increasing free cash flow guidance**
**[2] Includes Rent-A-Center Business, Preferred Lease, Mexico, Franchise and Corporate segments; Guidance does not include the impact of new franchising transactions**
**[3] Free Cash Flow defined as operating cash flow less capital expenditures**

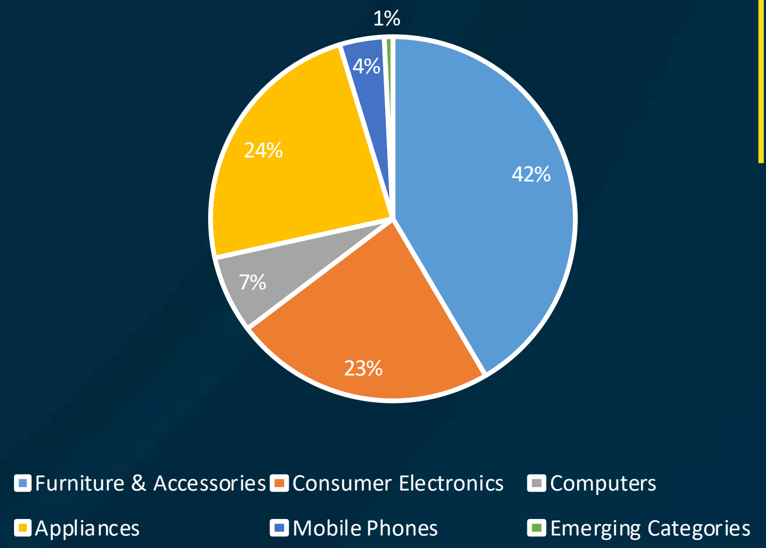
**[4] Actual adjusted EBITDA, non-GAAP diluted earnings per share and free cash flow as of June 30, 2020 are non-GAAP measures reconciled to GAAP financial measures in the appendix of this presentation**

# RENT-A-CENTER BUSINESS: ACCELERATING GROWTH

## 2020 Trends

- Traditional lenders tightening credit, increasing our customer base
- Strong demand for home products, furniture and appliances
- Increase in customers using digital payments, which is improving delinquencies
- E-commerce growing, customers generating higher profits

## Rent-A-Center Business Product Assortment




## Long-Term Growth Strategies

- Increase omni-channel sales while driving financial performance
- Accelerate shift to e-commerce via enhancements to platform, synergies with stores
- Enhance customer experience with aspirational, high margin merchandise
- Continue expansion into emerging product categories (Tires, Tools, Handbags, Jewelry)

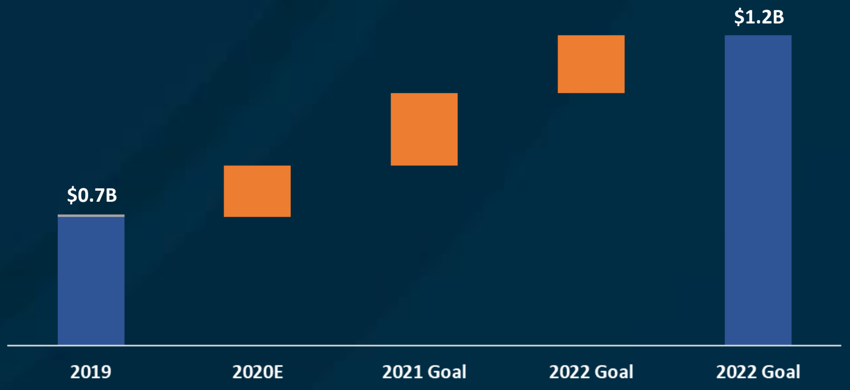
# PREFERRED LEASE: INVESTING IN GROWTH

### 2020 Trends

- Strong invoice volume driven by virtual offering and organic growth of staffed category
- Approval rates up, reflecting tightening credit above sub prime – adding high-quality customers into portfolio, which should drive forward revenue and yield
- Partnership with ChargeAfter for Preferred Lease on point of sale platform
- Increased interest from retail partners & strong pipeline

Preferred Lease™

Powered by AcceptanceNOW




### Long-Term Growth Strategies

- New leadership with proven track record in financial services & technology
- Improve integration with e-commerce / brick & mortar for retail partners
- Add new verticals that are a natural extension for Preferred Lease: tires, fitness equipment
- Continue to target long term goal for $1.2B in revenue by end of 2022

# FINANCIAL HIGHLIGHTS

| In millions, except EPS | Q2 2020 Actual | % of Total Revenue | Better or Worse versus Q2 2019 | |
|---|---|---|---|---|
| Rent-A-Center Business[1] | $459 | 67.2% | $8 | 1.8% |
| Preferred Lease | $191 | 28.0% | $15 | 8.4% |
| Franchising | $23 | 3.3% | $8 | 52.5% |
| Mexico | $11 | 1.6% | ($3) | (21.7%) |
| **Total Revenue** | **$684** | **100.0%** | **$28** | **4.2%** |
| | | **% of Segment Revenue** | | |
| Rent-A-Center Business | $92 | 20.0% | $19 | *380* |
| Preferred Lease | $7 | 3.6% | ($16) | *(950)* |
| Franchising | $3 | 13.4% | $1 | *120* |
| Mexico | $1 | 10.9% | ($0) | *(80)* |
| Corporate | ($27) | (3.9%) | $5 | *100* |
| **Adjusted EBITDA[2]** | **$76** | **11.1%** | **$8** | ***80 bps*** |
| **Non-GAAP Diluted EPS[2]** | **$0.80** | | **$0.20** | |

| Selected Metrics | Q2 2020 | Q2 2019 |
|---|---|---|
| Operating Cash Flow | **$207** | **$110** |
| Debt (excluding financing fees) | **$198** | **$543** |
| Net Debt to Adjusted EBITDA[3] | **0.0x** | **0.8x** |

[1] Year over year performance includes same store sales increase of 7.8% partially offset by the refranchising of approximately 60 Rent-A-Center locations during the preceding 15 months
[2] Non-GAAP financial measure. Refer to explanations and reconciliations elsewhere in this presentation.
[3] In March 2020, as a precautionary measure in response to the spread of COVID-19, we drew down approximately $118.0 million against our credit facility in March 2020 and subsequently repaid $163.0 million of indebtedness under such facility in June 2020 using cash flow generated from operations.

# SECOND QUARTER HIGHLIGHTS

**Rent-A-Center Business**

- Same Store Sales: +7.8%
- Q2 Ending Lease Portfolio: +4% above LY
- Skip / Stolen Losses: 3.7% as percent of revenue, no incremental COVID-19 loss reserve

**Preferred Lease**

- Invoice Volume: +25% YoY, driven by virtual and organic growth in the staffed model
- Q2 Ending Lease Portfolio: +15% above LY
- Expenses: Managing costs with additional opportunity to reduce labor hours and improve collection efficiency
- Skip / Stolen Losses: 18.4% as percent of revenue, or 15.4% excluding the impact of the estimated incremental COVID-related losses and reserves

**Cash Flow**

- Operating cash flow in Q2 $207 million, with Free Cash Flow[1] of $202 million
- Used cash to pay down $164 million in debt, which brings us to zero net debt to end the quarter



[1] **Non-GAAP financial measure. Refer to explanations and reconciliations elsewhere in this presentation**

# 2020 UPDATE: EXPECTATIONS

**Rent-A-Center Business**

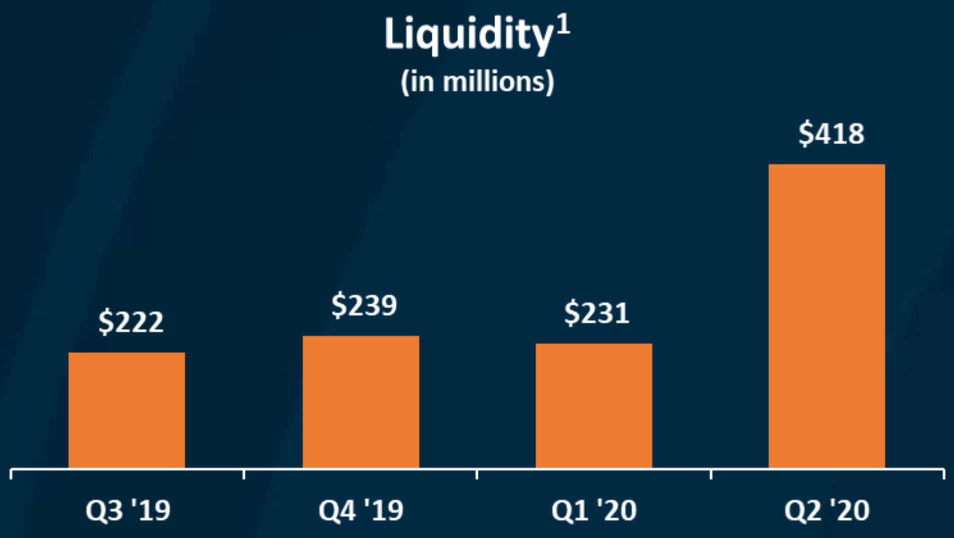
- Same Store Sales: Lease portfolio up 4% heading into Q3
- Adjusted EBITDA: 2020 to be up approximately 11% versus 2019
- Lease Portfolio: On pace to end 2020 in line with original expectations

**Preferred Lease**

- Revenue: Growth of 10-12% in the back half of 2020
- Adjusted EBITDA: Margin of approximately 10% in the back half of 2020
- Lease Portfolio: End 2020 to be up approximately 15% versus 2019
- Invoice Volume: 2020 to be up approximately 25% versus 2019

**Consolidated**

- Partial operating expenses, labor savings to continue into Q3




# CAPITAL STRATEGY

## Investments

- Working capital investment in the back half of 2020 to support growth in demand across both segments
- Implementing additional e-commerce functionality
- Adding payment options for unbanked customers
- Investments focused on capturing whitespace opportunity via virtual and digital as lease-to-own sector evolves

## Maintain Conservative Balance Sheet

- No net debt as of 06/30/20
- Total liquidity of approximately $418 million at 6/30/20

## Return Excess Cash to Shareholders

- Dividend increased 16% to $0.29 per quarter in Q1 2020 with approximately 4% yield as of July 20, 2020
- Repurchased 1.46 million shares for $26.5 million in Q1 2020
- Continue to view share repurchases opportunistically

[1] Liquidity represents cash on hand plus revolver availability

# Rent-A-Center: Positioned for Growth

Second Quarter 2020 Earnings Review

Question and Answer

# APPENDIX

# Reconciliation of Net Earnings Per Share to Non-GAAP Diluted Earnings Per Share

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| *(in thousands, except per share data)* | Amount | Per Share | Amount | Per Share |
| **Net earnings** | **$ 38,493** | **$ 0.70** | **$ 94,455** | **$ 1.70** |
| Special items, net of taxes | | | | |
| Other charges (gains) | 5,818 | 0.10 | (60,113) | (1.09) |
| Discrete income tax items | (185) | - | (818) | (0.01) |
| **Net earnings excluding special items** | **$ 44,126** | **$ 0.80** | **$ 33,524** | **$ 0.60** |

**Refer to the Adjusted EBITDA and Free Cash Flow reconciliations below for a description of the special items**

# Reconciliation of Operating Profit to Adjusted EBITDA (Consolidated and by Segment)

| *(in thousands)* | Three Months Ended June 30, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Rent-A-Center Business | Preferred Lease | Mexico | Franchising | Corporate | Consolidated |
| **GAAP Operating Profit** | **$ 85,132** | **$ 6,233** | **$ 1,052** | **$ 3,029** | **$ (41,811)** | **$ 53,635** |
| Plus: Amortization, Depreciation | 4,876 | 474 | 95 | 10 | 8,893 | 14,348 |
| Plus: Extraordinary, Unusual or Non-Recurring Gains or Charges | | | | | | |
| Legal settlement reserves | - | - | - | - | 4,400 | 4,400 |
| Cost savings initiatives | 175 | 45 | - | - | 1,002 | 1,222 |
| State tax audit assessment reserves | 261 | - | - | - | 564 | 825 |
| Nationwide protest impacts | 703 | - | - | - | - | 703 |
| COVID-19 impacts | 355 | 115 | - | - | - | 470 |
| Store closure costs | 452 | - | 7 | - | - | 459 |
| Insurance reimbursement proceeds | (158) | - | - | - | - | (158) |
| **Adjusted EBITDA** | 91,796 | 6,867 | 1,154 | 3,039 | (26,952) | 75,904 |

| *(in thousands)* | Three Months Ended June 30, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Rent-A-Center Business | Preferred Lease | Mexico | Franchising | Corporate | Consolidated |
| **GAAP Operating Profit** | **$ 64,925** | **$ 22,734** | **$ 1,474** | **$ 1,803** | **$ 38,893** | **$ 129,829** |
| Plus: Amortization, Depreciation | 5,110 | 313 | 95 | 9 | 9,594 | 15,121 |
| Plus: Extraordinary, Unusual or Non-Recurring Gains or Charges | | | | | | |
| Vintage merger termination settlement | - | - | - | - | (92,500) | (92,500) |
| Insurance reimbursement proceeds | (1,028) | - | - | - | - | (1,028) |
| Legal and professional fees | - | - | - | - | 10,184 | 10,184 |
| Store closures | 2,914 | - | 16 | - | - | 2,930 |
| State tax audit assessments | - | - | - | - | 1,854 | 1,854 |
| Cost savings initiatives | 1,103 | 35 | - | - | (115) | 1,023 |
| **Adjusted EBITDA** | 73,024 | 23,082 | 1,585 | 1,812 | (32,090) | 67,413 |

# Reconciliation of Net Cash Provided by Operations to Free Cash Flow

| *(in thousands)* | Three Months Ended June 30, 2020 | Three Months Ended June 30, 2019 | Six Months Ended June 30, 2020 | Six Months Ended June 30, 2019 |
|---|---|---|---|---|
| **Net cash provided by operating activities** | **$ 207,319** | **$ 109,643** | **$ 254,719** | **$ 185,418** |
| **Purchase of property assets** | (5,599) | (2,580) | (14,750) | (5,088) |
| **Hurricane insurance recovery proceeds** | 158 | 995 | 158 | 995 |
| **Free cash flow** | **$ 201,878** | **$ 108,058** | **$ 240,127** | **$ 181,325** |
| | | | | |
| **Proceeds from sale of stores** | - | 5,317 | 187 | 13,792 |
| **Acquisitions of businesses** | - | (155) | - | (155) |
| **Free cash flow including acquisitions and divesitures** | **$ 201,878** | **$ 113,220** | **$ 240,314** | **$ 194,962** |