



RAC Rent-A-Center

RAC
Rent-A-Center
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Appliances
Electronics
Furniture
Computers



INVESTOR PRESENTATION
THIRD QUARTER 2014

Safe Harbor

This presentation contains forward-looking statements that involve risks and uncertainties. Such 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. The Company believes that the expectations reflected in such forward-looking statements are accurate. However, there can be no assurance that such expectations will occur. The Company's actual future performance could differ materially from such statements. Factors that could cause or contribute to such differences include, but are not limited to: the general strength of the economy and other economic conditions affecting consumer preferences and spending; economic pressures, such as high fuel costs, affecting the disposable income available to the Company's current and potential customers; changes in the unemployment rate; difficulties encountered in improving the financial performance of the Core U.S. segment; the Company's ability to develop and successfully execute the competencies and capabilities which are the focus of the Company's multi-year program designed to transform and modernize the Company's operations; costs associated with the Company's multi-year program designed to transform and modernize the Company's operations; the Company's ability to successfully market smartphones and related services to its customers; the Company's ability to develop and successfully implement digital electronic commerce capabilities; the Company's ability to retain the revenue from customer accounts merged into another store location as a result of the store consolidation plan; the Company's ability to execute and the effectiveness of the store consolidation; rapid inflation or deflation in prices of the Company's products; the Company's available cash flow; the Company's ability to identify and successfully market products and services that appeal to its customer demographic; consumer preferences and perceptions of the Company's brand; 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 enter into new and collect on its rental or lease purchase agreements; the passage of legislation adversely affecting the rent-to-own industry; the Company's compliance with applicable statutes or regulations governing its transactions; changes in interest rates; adverse changes in the economic conditions of the industries, countries or markets that the Company serves; information technology and data security costs; the Company's ability to protect the integrity and security of individually identifiable data of its customers and employees; the impact of any breaches in data security or other disturbances to the Company's information technology and other networks; changes in the Company's stock price, 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; fluctuations in foreign currency exchange rates; the Company's ability to maintain an effective system of internal controls; 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, 2013, and its quarterly reports on Form 10-Q for the quarters ended March 31, 2014, and June 30, 2014, and September 30, 2014. 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 today is...



The market leader in a growing industry with compelling fundamentals



Focused on providing affordable, high-quality products to our customers which improve their standard of living



Engaging in a multi-year transformation to improve the Core U.S. segment profitability, enable a better customer experience and innovate our digital e-commerce capabilities



Executing on our Acceptance Now and Mexico growth initiatives to drive performance



Continuing its proven track record of returning capital to shareholders



Led by a seasoned management team with deep rent-to-own experience

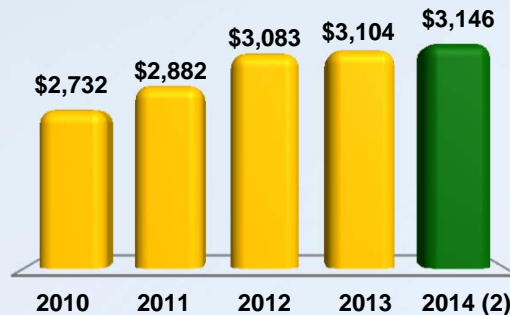


Rent-A-Center snapshot

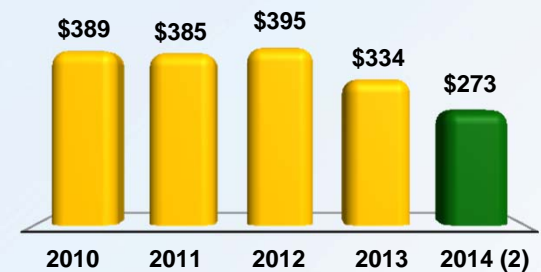
Rent-A-Center overview

- **Rent-A-Center (NASDAQ: RCII) is the Largest rent-to-own (“RTO”) operator in the U.S.**
 - 45% Market share based on North American store count ⁽¹⁾
 - 4,564 locations across the US, Mexico, Canada and Puerto Rico
 - 2,841 Core U.S. locations
 - 1,359 Kiosks at destination retailers
 - 176 Mexico locations
 - 188 Franchised stores
- Offers high quality, durable products such as major consumer electronics, appliances, computers, furniture and accessories, and smartphones
 - Flexible rental purchase agreements
 - Generally allows customers to obtain ownership at the conclusion of an agreed upon rental term

Revenue (\$mm)

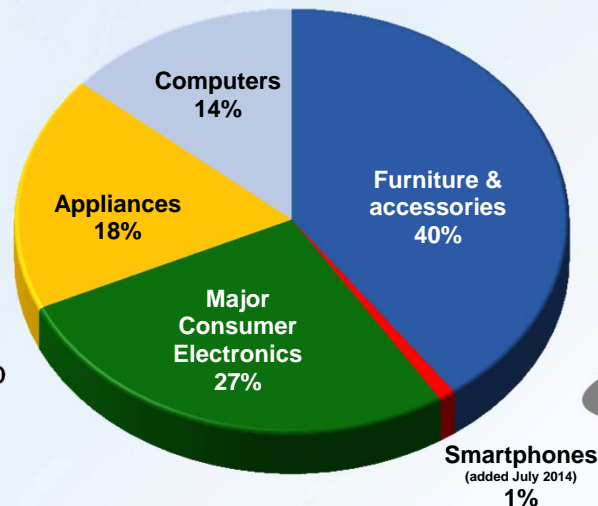


EBITDA (\$mm)



Product mix (LTM) ⁽³⁾

September 30, 2014



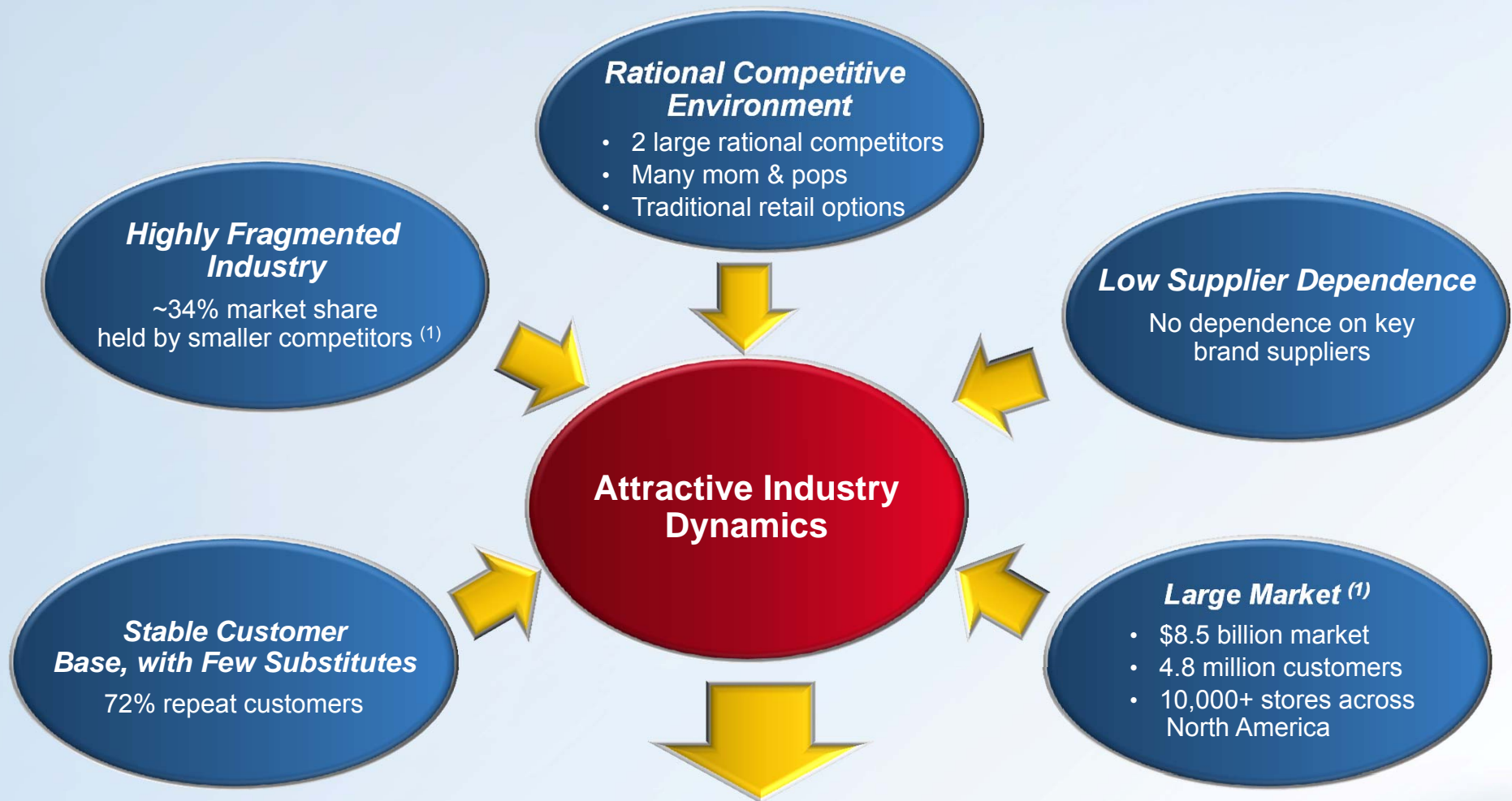
Key vendor relationships



1) APRO (Association of Progressive Rental Organizations) as of October 2013
 2) LTM as of September 30, 2014
 3) Includes Core U.S. and Acceptance Now stores only



The RTO industry offers attractive fundamentals...



RTO agreements yield recurring revenue streams

(1) APRO (Association of Progressive Rental Organizations) as of October 2013

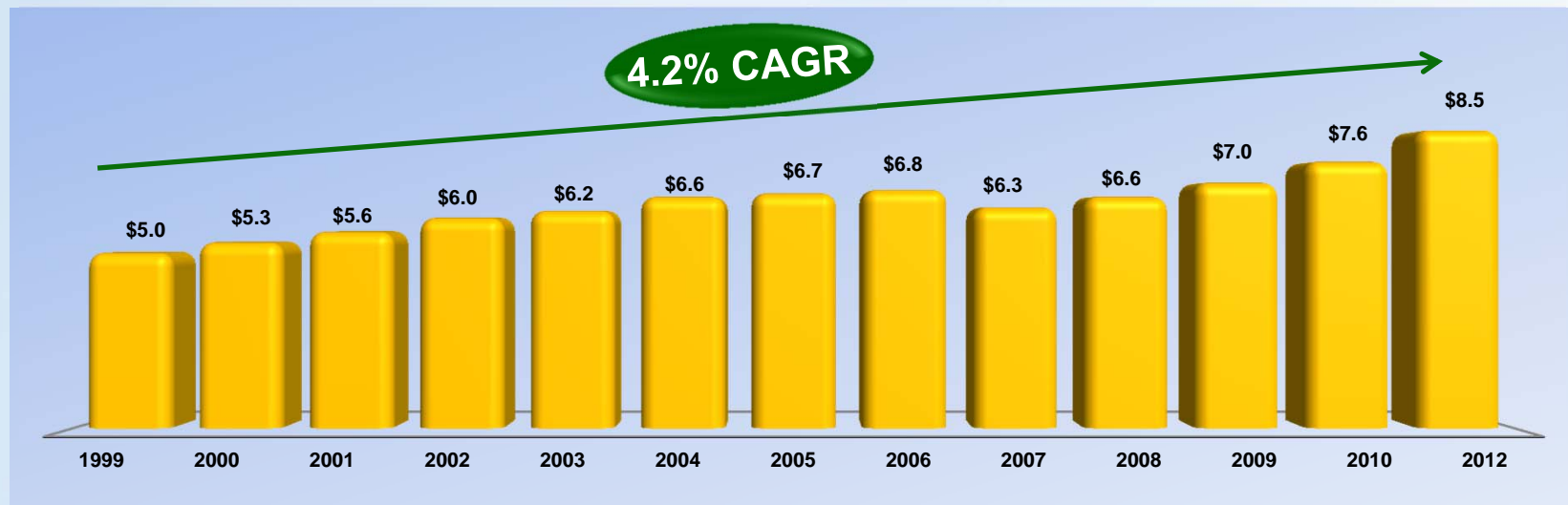


...including stable, robust market growth

Key industry facts

- \$8.5 billion industry
- 10,000+ stores across the United States, Mexico and Canada
- Serves an estimated 4.8 million households
- Revenue increased by a 4.2% CAGR from 1999-2012
- National industry with established, constructive regulatory environment

RTO industry revenue (billions)

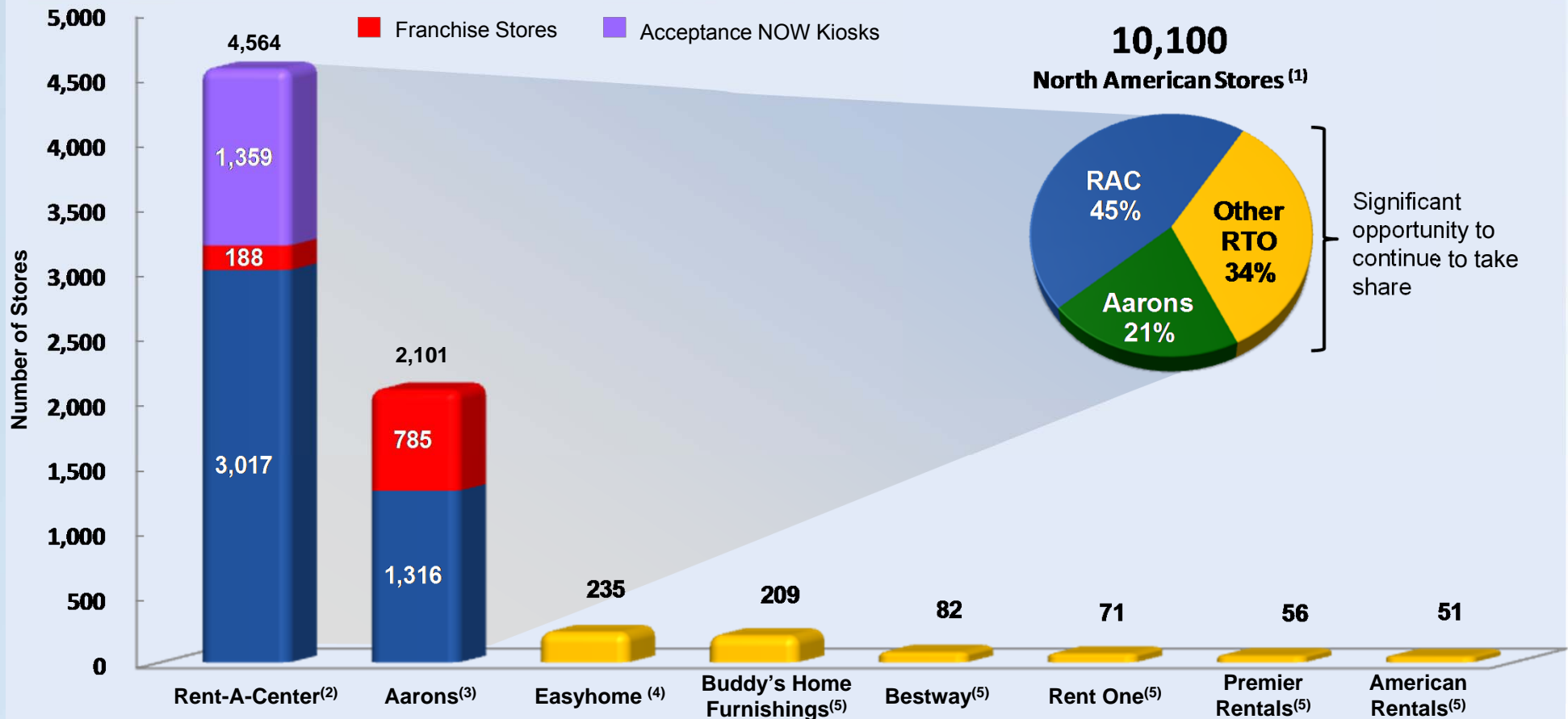


(1) APRO (Association of Progressive Rental Organizations) as October 2013



Rent-A-Center is the market leader

Rent-A-Center's current store base is more than 6x the #3-8 competitors combined...



...giving us the scale to address an ever-expanding sub prime core customer base which makes up 34% of the U.S. population⁽⁶⁾

Notes:

(1) APRO (Association of Progressive Rental Organizations) as of October 2013

(2) Company data as of September 30, 2014

(3) Company press release as of October 24, 2014

(4) Website data as of October 22, 2014

(5) Agg data as of September 30, 2014

(6) FICO, October 2013; subprime defined as FICO score < 649



Strategic Priorities



Strategic priorities: Three-tiered strategy



Segment overview

Segment Overview

Revenues (\$mm)

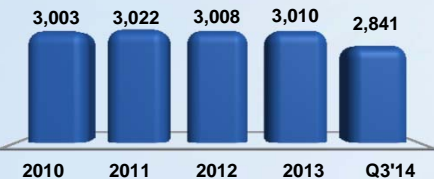
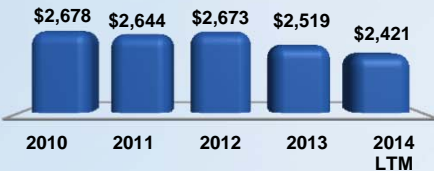
Locations

Brands

Core U.S.

Domestic company-owned RTO operations:

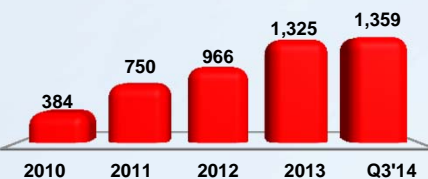
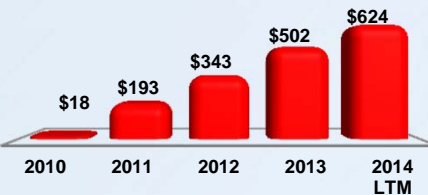
- Offering high-quality products to consumers under flexible rental-purchase agreements
- 2,841 stores in the US, Canada, and Puerto Rico
- Largest segment with 76% of total 2014 YTD revenues



AcceptanceNOW

RTO kiosks placed inside traditional retail stores:

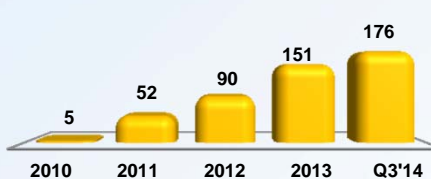
- Alternative transaction for retail partners' customers who can't buy on credit
- 1,359 kiosks located within retail partners' locations
- Rapidly growing segment with 21% of total 2014 YTD revenues



Mexico

Mexico company-owned RTO operations:

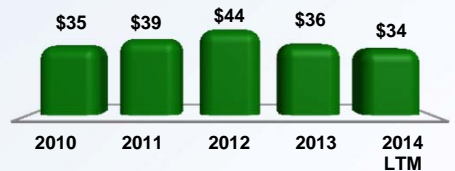
- 176 stores in Mexico
- Expanding into Mexico City and other Latin America countries
- Rapidly growing segment with 2% of total 2014 YTD revenues



Franchising

Franchisor of RTO stores:

- Sells merchandise to franchisors who in turn rent it out to public
- Earn royalties of approx. 2-6% of revenues
- 188 stores in U.S.
- 1% of total 2014 YTD revenues





Core Overview

Business Imperatives

- **Develop a culture focused on quality sales**
 - Shift our pricing model from a cost plus approach to a value-based strategy more focused on the customer
 - Expect essentially flat same store sales in Q4 2014
- **A rent-to-own industry first: nationwide name-brand smartphones and no-contract plans**
 - Expected to provide as much as 10% of the Core segment future revenue stream
- **Drive improvements in store operational excellence**
 - Enhance our talent management practices
 - Increased focus on maximizing collections
- **Focus on margin improvements and four-wall efficiencies**
 - Develop a more efficient and effective supply chain
 - Test and implement a new flexible labor model



Optimize and grow operating profit in a maturing Core U.S. Rent-to-Own business



Customers

Differentiated Positioning

Meet Customers where they are

- Physical
- Online
 - Direct
 - Indirect

RAC E-Commerce

Get them exactly what they want

- Right product
- Right place
- Right price

*Supply Chain Optimization
Pricing Strategy*

Provide world-class service

- Talent
- Training

*Acquire & develop
the best talent in
the industry*





Acceptance NOW continues to expand

Description

- **RAC Kiosks inside traditional retailers**
 - Customers turned down for credit are referred to Acceptance NOW
 - Retailers “save the sale” (~50% conversion rate)
 - Customers likely outside our traditional customer base
- Low initial investment as inventory is not purchased until the sale is made
- Grow customer base and increase market penetration
 - Same Store Sales (Q3'14) – 25.7%
 - 1,359 locations as of September 30, 2014
- 70% to 80% are taken to full term to gain ownership of the product
- Expect to open 190 manned locations in 2014
- Implementing new virtual technology in ~600 existing manned kiosks in back half of 2014

Capturing a new customer base

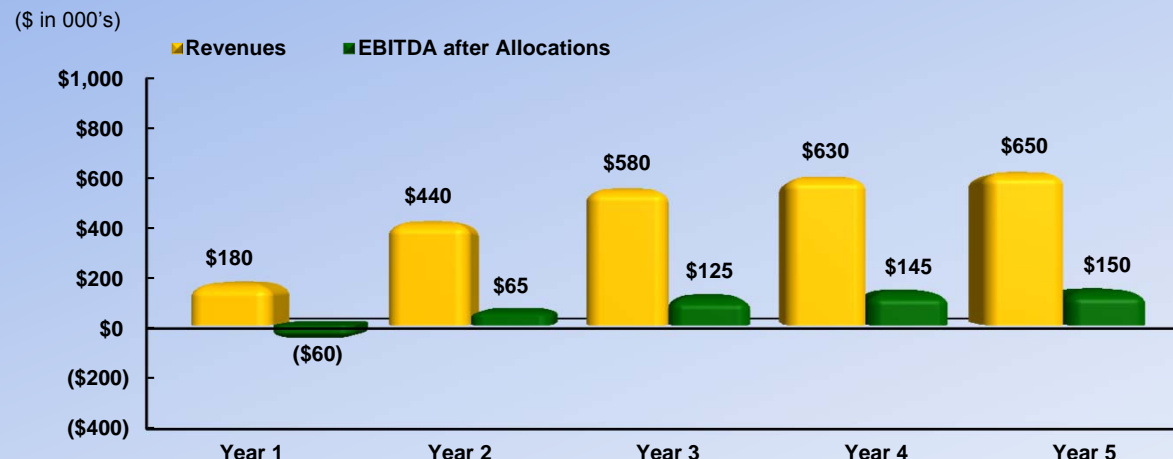
Credit scores:	< 520	521–580	> 581
RTO	50%	27%	23%
Acceptance NOW	41%	29%	30%

(1) Random sample of 1,000 RTO & 1,000 Acceptance NOW customer's credit scores provided by TransUnion

Illustrative new store economics summary

New Store Economics

- Year 1 Investment of \$350K (80% for inventory)
- Profitable within ~7 months
- Break even within year 2
- IRR of ~85% (~50% after allocations)



Despite growth to date, Acceptance NOW remains relatively under penetrated



International represents significant, untapped growth



Mexico

- 111 million total population with over 50% falling into our core customer demographic
- Potential market of 1,000 stores
- Opened all 30 planned locations for this year in the first half of 2014.

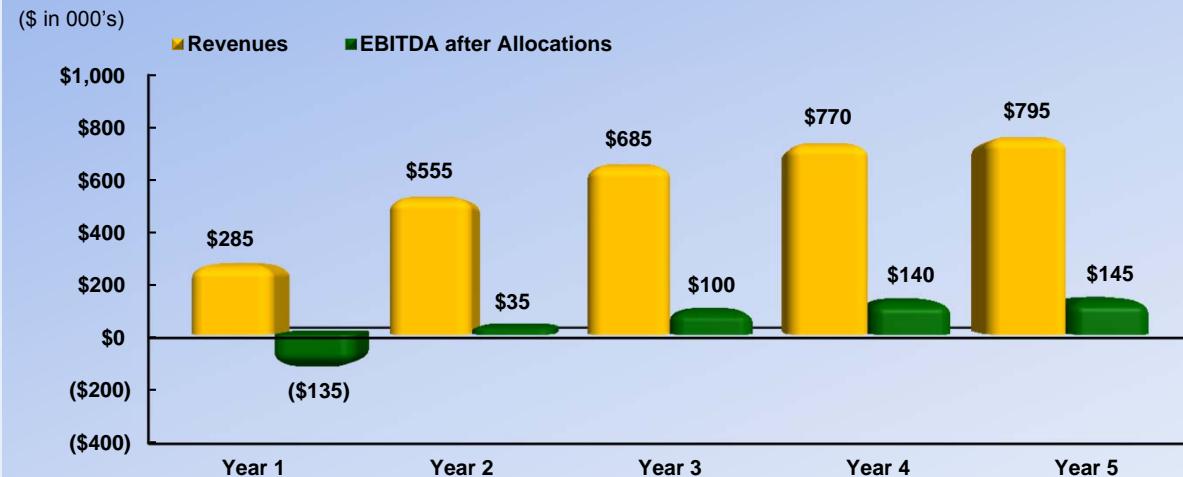
Highlights

- Mexico stores achieved four-wall breakeven for the first time in December 2013
- \$1 billion revenue opportunity
- Same Store Sales
 - Q3 2014 – 25.9%
 - 2014 YTD – 21.2%

Illustrative new store economics summary

New Store Economics

- Year 1 Investment of \$610K (50% for inventory)
- Profitable within ~12 months
- Break even within year 3
- IRR of ~45% (~30% after allocations)



We are assessing markets across the world for additional international growth





Our growth initiatives will drive our performance

Our growth initiatives are meaningful contributors today...



...and well positioned for sustained, profitable growth in the future



- ✓ Virtual technology within manned or stand-alone locations
- ✓ Expanded footprint
- ✓ Improved sales conversion



- ✓ 1,000 store opportunity
- ✓ Mexico City
- ✓ Platform for broader Latin America exposure



Financial Highlights



Q3 2014 Rent-A-Center operating results

Q3 2014 Financial Metrics (Non-GAAP)

(\$ in MM)	Q3'14	Q3'13 ⁽¹⁾	Δ YoY
Core US	\$582	\$611	(4.8%)
Acceptance NOW	160	124	29.6%
Mexico	19	12	56.8%
Franchising	8	8	9.2%
Total Revenue	\$770	\$755	2.0%
Same Store Sales	1.9%	(0.8%)	+ 270 bps
Core US	\$424	\$445	(4.8%)
Acceptance NOW	93	74	25.4%
Mexico	14	9	54.0%
Franchising	2	2	39.0%
Total Gross Profit	\$532	\$529	0.6%
Gross Profit Margin	69.2%	70.1%	(90 bps)
Core US	\$26	\$44	(39.9%)
Acceptance NOW	23	19	21.7%
Mexico	(5)	(7)	(35.1%)
Franchising	1	0	193.9%
Operating Profit	\$45	\$56	(18.4%)
Operating Profit Margin	5.9%	7.4%	(150 bps)
EBITDA	\$65	\$76	(13.7%)
EBITDA Margin	8.5%	10.0%	(160 bps)
CapEx	\$20	\$29	(29.9%)

(1) Includes on-rent reserve adjustment

Q3 2014 Key Results

- Total revenues for the year increased ~ \$15mm, or 2.0%
 - Revenue increase primarily driven by both the Acceptance NOW and Mexico segments, partially offset by a decrease in Core U.S. segment
- Same store sales increase primarily attributable to increases in both the Acceptance NOW and Mexico segments, partially offset by a decrease in Core U.S. segment
- While gross profit margins decreased 90 bps, gross profit dollars increased over \$3mm, or 0.6%
- Operating profit decreased approximately \$11mm, or 18.4%, driven by lower revenues and sales deleverage in our store and field support center labor costs.
- Opened 55 Acceptance NOW kiosks in the U.S.



Maintain a sound balance sheet as a result of our prudent approach to leverage

Q3 2014 Balance Sheet

(\$ in millions)	Q3 2014	% of Book Capital	Q3 2013	% of Book Capital
Cash	\$62		\$53	
Senior Credit Facilities	\$419	17.7%	\$283	13.0%
Unsecured Revolver	\$6	0.3%	\$2	0.1%
Senior Unsecured Notes	\$550	23.3%	\$550	25.3%
Total Debt	\$975	41.3%	\$835	38.4%
Shareholder's Equity	\$1,385	58.7%	\$1,341 ⁽¹⁾	61.6%
Total Capitalization	\$2,360	100.0%	\$2,176	100.0%
Net Debt/Total Capitalization		38.7%		35.9%

Q3'14 Consolidated Total Leverage Ratio 3.43x (per bank covenant, maximum leverage of 4.5x)

Notes:

(1) Includes on-rent reserve adjustment



Despite challenging times, we believe that our plan will show significant financial results from 2014 to 2018

Revenue Growth

4 - 7%

EBITDA Growth

7 - 10%

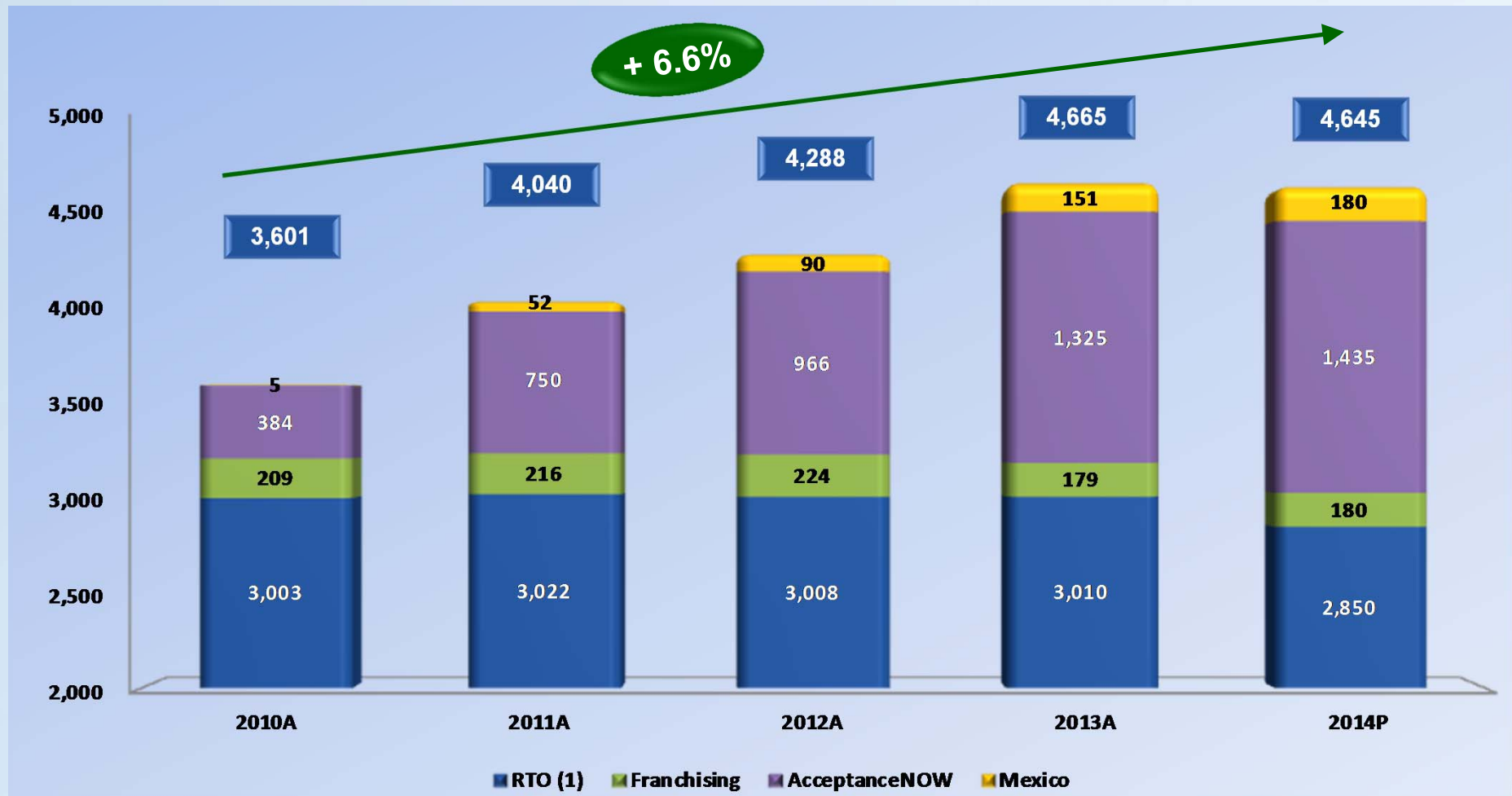
Free Cash Flow

\$100mm+



Continuing strong store growth will increase our already substantial customer base

Store Counts



Note: (1) Includes Canada and Get-It-Now / Home Choice stores



Our 2014 forecast includes low single-digit revenue growth

2014 Guidance ⁽¹⁾

(\$ in millions, except EPS)	2011 Actual ⁽²⁾	2012 Actuals ⁽²⁾	2013 Actuals ⁽²⁾	2014 Midpoint
Total Revenue	\$2,882	\$3,083	\$3,104	\$3,205
YoY Growth %	5.5%	7.0%	0.7%	3.3%
Same Store Sales	0.8%	1.4%	(2.0%)	2.0%
Total Gross Profit	\$2,053	\$2,134	\$2,149	\$2,205
Gross Profit Margin	71.2%	69.2%	69.2%	68.8%
Operating Profit	\$315	\$316	\$246	\$225
Operating Profit Margin	10.9%	10.2%	7.9%	7.0%
Diluted EPS	\$2.89	\$3.06	\$2.32	\$2.08
YoY Growth %	3.6%	5.9%	(24.2%)	(10.3%)
EBITDA⁽³⁾	\$385	\$395	\$334	\$305
EBITDA Margin	13.4%	12.8%	10.8%	9.5%
CapEx	\$133	\$102	\$108	\$95

Notes:

- 1) Per 10/20/2014 press release
- 2) Includes on-rent reserve adjustment
- 3) Reconciliation is available in the appendix at the end of the presentation

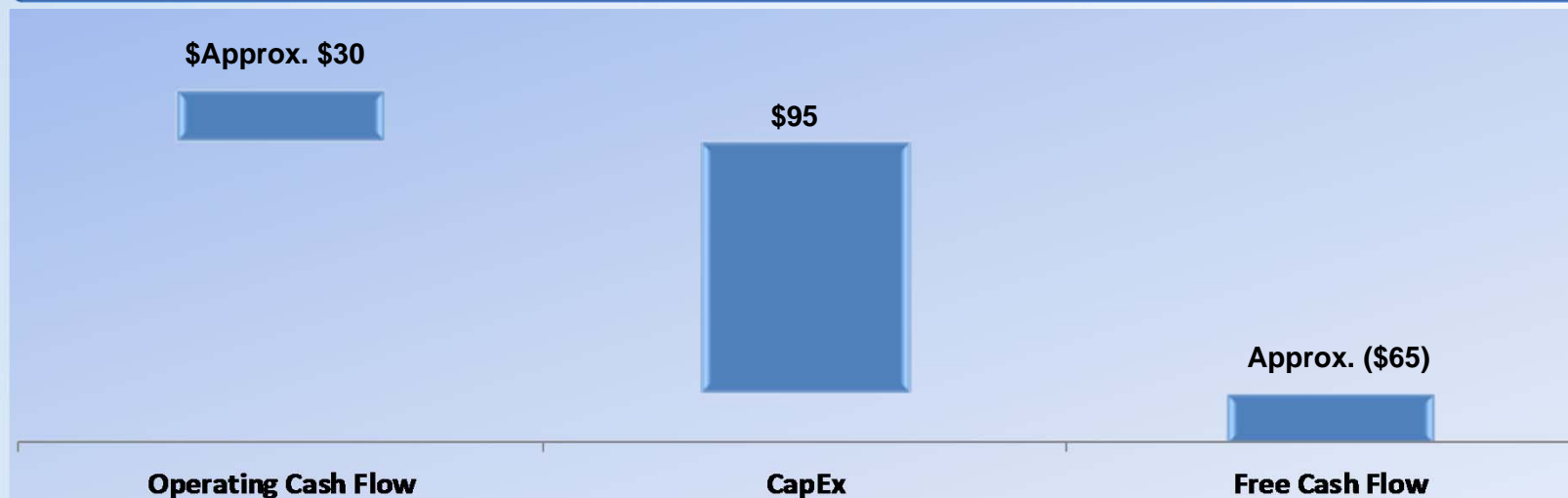


Free Cash Flow will be temporarily negative in 2014 due to the reversal of our deferred tax liability

Reconciliation of EBITDA to Free Cash Flow 2014 Estimate (\$mm)



Reconciliation of Operating Cash to Free Cash Flow 2014 Estimate (\$mm)



We will continue to return value to shareholders in a number of ways

Re-invest in our business

Opened 1,000+ new RTO touch points since 2010

Continue our history of dividend payments

Paid our 18th straight quarterly dividend

Be opportunistic with share repurchases

~37mm shares repurchased to date

Examine and adjust our capital structure when appropriate

Refinanced \$900mm in senior debt (March 2014)



Rent-A-Center represents an attractive opportunity



Leader of an established and growing industry



In 2013, launched a multi-year transformation to improve the Core U.S. segment profitability, enable a better customer experience and innovate our digital e-commerce capabilities



Clearly defined opportunities for accelerated growth



A proven track record of returning capital to shareholders



Seasoned management team with a track record for growth and innovation



Appendix



Adjusted EBITDA Reconciliation

Reconciliation of Adjusted EBITDA to Earnings Before Income Taxes

(\$ in millions)	FYE 2011A ⁽¹⁾	FYE 2012A ⁽¹⁾	FYE 2013A ⁽¹⁾	YTD 2014A
GAAP EBIT	\$254.7	\$284.4	\$207.4	\$108.3
Plus: Litigation Expense (Credit)	2.8	-	-	-
Plus: Impairment Charge	7.3	-	-	4.6
Plus: Vendor settlement credit	0.0	-	-	(7.1)
Plus: Restructuring Charge	13.9	-	-	7.6
Plus: Finance Charges from Refinancing	-	-	-	1.9
Plus: Interest Expense, net	36.6	31.2	38.8	34.5
Plus: Amortization	4.7	5.9	11.5	4.2
Plus: Depreciation	65.2	73.4	76.5	56.3
Adjusted EBITDA	\$385.2	\$394.9	\$334.1	\$210.2

Notes:

(1) Includes on-rent reserve adjustment



Company Information

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

investor.rentacenter.com

