



# J.P. Morgan Global High Yield & Leveraged Finance Conference



# Safe Harbor Statement

*This presentation 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 rent-to-own stores; the Company's ability to acquire additional rent-to-own stores or customer accounts on favorable terms; the Company's ability to successfully add financial services locations within its existing rent-to-own stores; the Company's ability to identify and successfully enter new lines of business offering products and services that appeal to its customer demographic, including its financial services products; the Company's ability to enhance the performance of acquired stores; the Company's ability to control costs; 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 Company's ability to enter into new and collect on its short term loans; the passage of legislation adversely affecting the rent-to-own or financial services industries; our failure to comply with statutes or regulations governing the rent-to-own or financial services industries; interest rates; economic pressures, such as high fuel and utility costs, affecting the disposable income available to the Company's targeted consumers; changes in the Company's stock price and the number of shares of common stock that it may or may not repurchase; 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, 2007, and its quarterly reports for the quarters ended March 31, 2008, June 30, 2008 and September 30, 2008. 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 presentation or to reflect the occurrence of unanticipated events*



# Key Investment Rationale

- Leading rent-to-own operator in the U.S.
- Proven business model
- Experienced management team
- Financially solid
  - Strong cash flow generation
  - Sound balance sheet and strong credit statistics
- Continue execution in our core rent-to-own business
- Growth opportunity adding financial services within our existing store locations



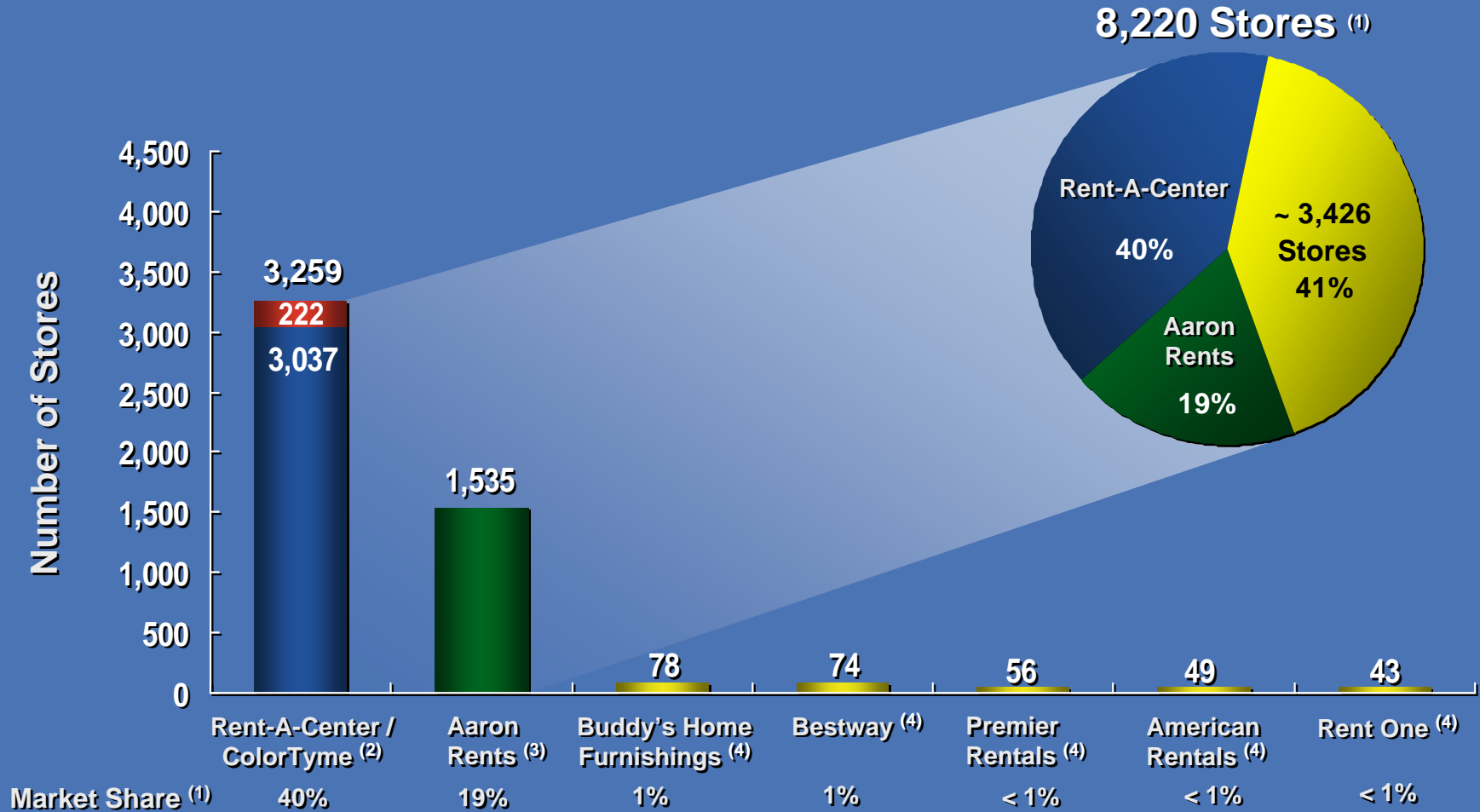
# Leading RTO Operator in U.S.

- Largest rent-to-own operator in the U.S.
  - 40% market share based on store count
  - National footprint of over 3,000 company-owned stores and over 220 franchised stores
- Broad selection of high quality, brand-name merchandise under flexible rental purchase agreements
- Primarily serves the “underbanked” consumer
- Generated revenue of \$2.9 billion and adjusted EBITDA of \$363.6 million in fiscal 2008





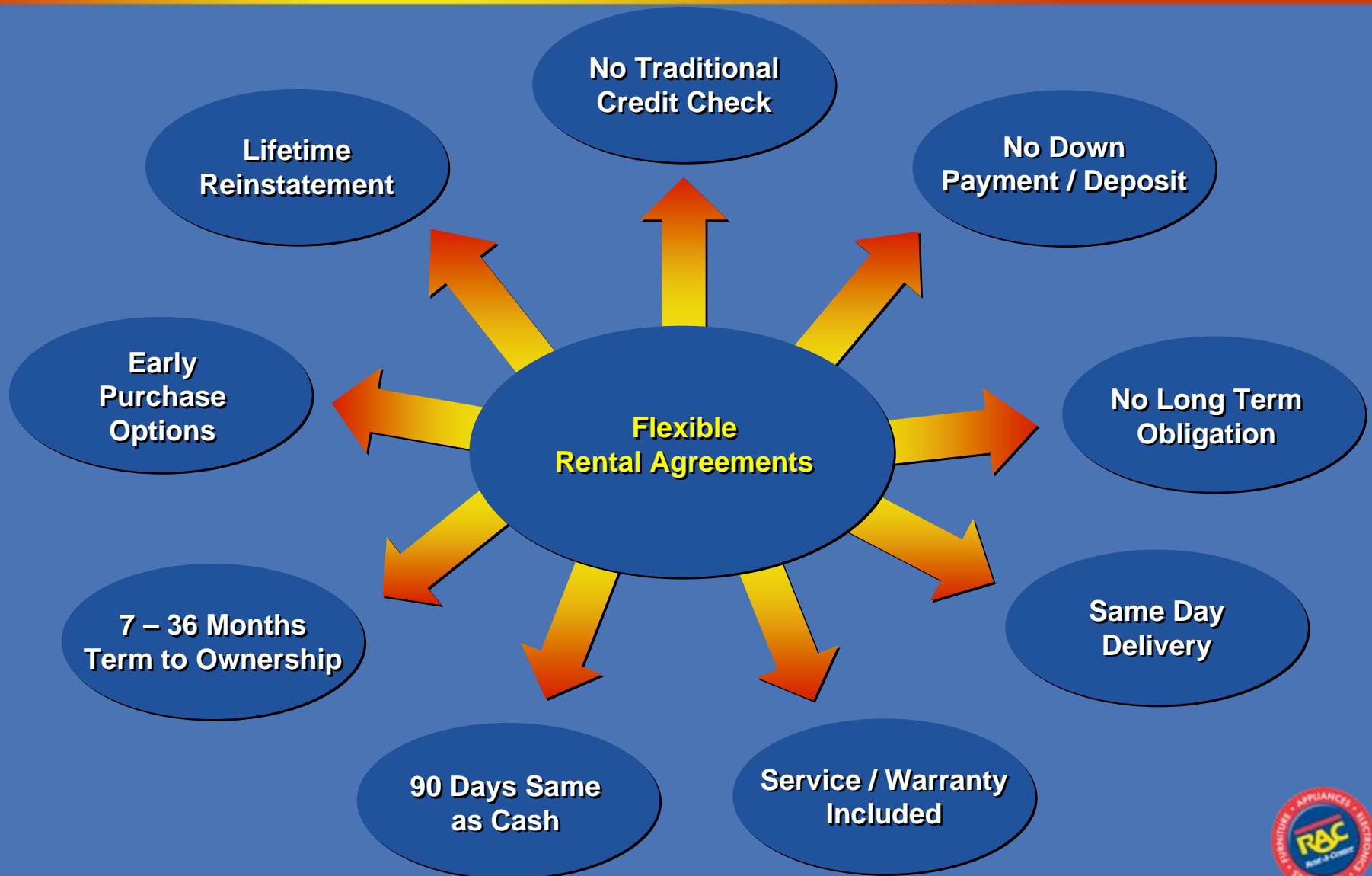
# Leading Player in Fragmented Marketplace



- 1) Based on Association of Progressive Rental Organization (APRO) estimates in 2007 Industry Survey (based on 2006 results) of 8,500 total stores (pro forma for Rent-A-Center consolidation plan store closures)
- 2) Company data as of December 31, 2008
- 3) Company press release dated December 22, 2008
- 4) Company website estimates as of January 28, 2009



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



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

- 75% of customers in the rent-to-own industry have household incomes between \$15,000 and \$50,000 <sup>(1)</sup>
- Approximately 45 million households with household incomes between \$15,000 and \$50,000 <sup>(2)</sup>
- Industry is serving only 3.0 million of these households <sup>(3)</sup>

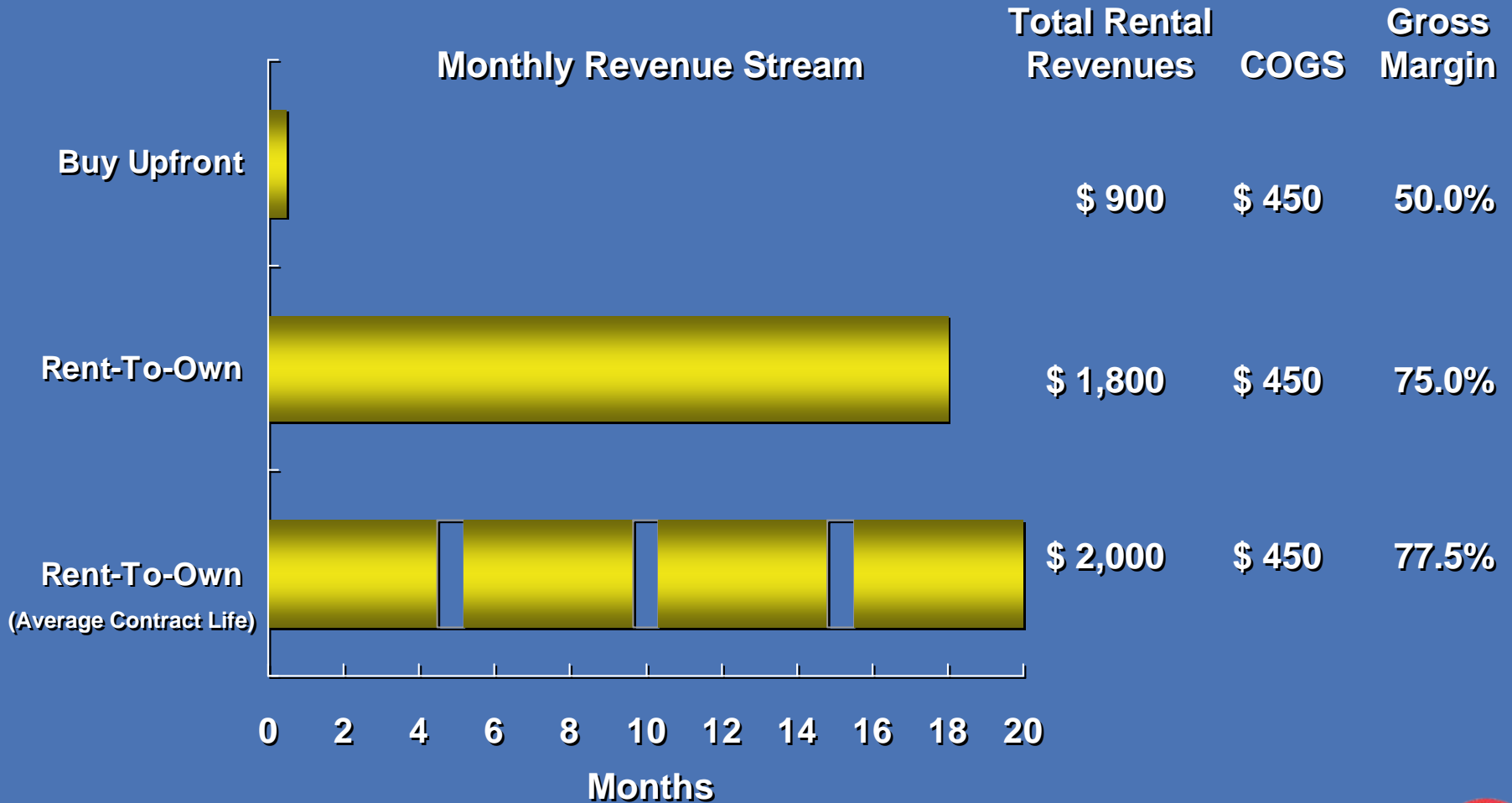
1) America's Research Group, August 2004

2) U.S. Census Bureau - 2001

3) APRO 2007 Industry Survey (based on 2006 results)

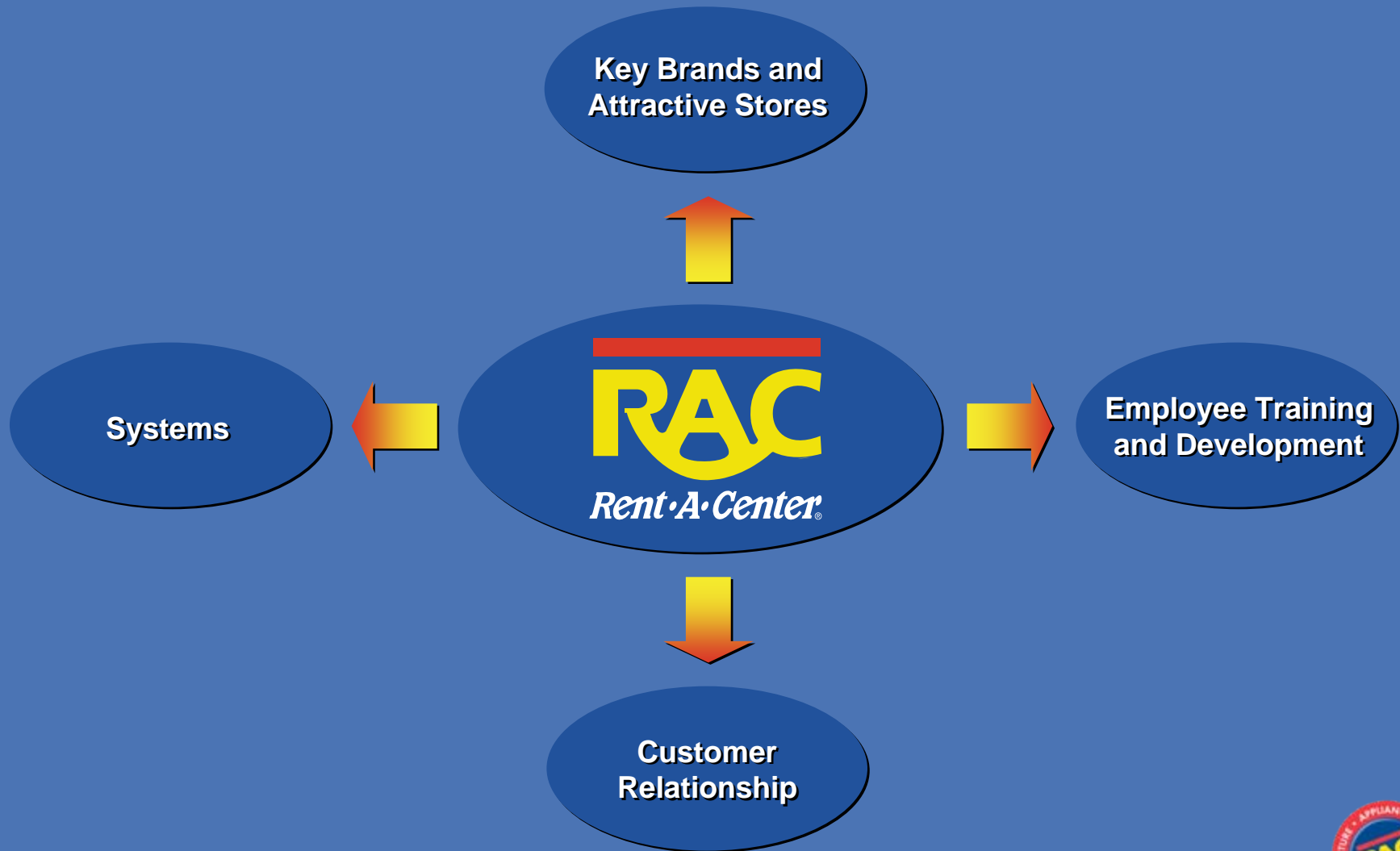


# ...With Attractive Economics





# Proven Business Model



# Easily Accessible, Highly Visible Sites



Leased Sites Only

No Warehouses – Vendors Ship Directly to the Stores



# High Quality, Brand-Name Merchandise

**Electronics**  
35% of Rental Revenue

**Furniture**  
33% of Rental Revenue

**Appliances**  
16% of Rental Revenue

**Computers**  
16% of Rental Revenue

**SONY**



**TOSHIBA**

**JVC**

**PHILIPS**

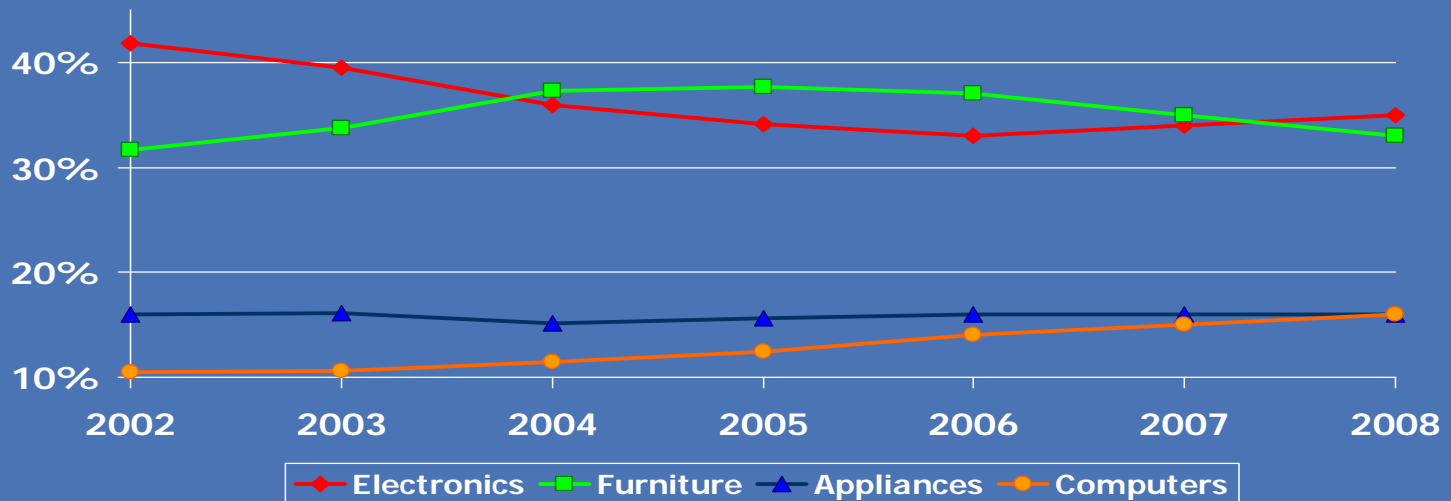


**COMPAQ**

**SONY**

**DELL**

**TOSHIBA**



Represents a rolling 12 months of actual data



# Experienced Management Team

- Senior management team is the most experienced in RTO industry
  - CEO Mark Speese has over 30 years of RTO experience
  - President Mitch Fadel has over 25 years of RTO experience
  - Senior executives average over 15 years of RTO experience
- Attracting the best personnel with industry-leading salary and incentive plans



# Strategic Objectives

- Enhance store level operations, revenue and profitability
  - Attract customers with targeted advertising campaigns
    - ◆ Customers whose credit has been reduced or eliminated (Credit Free Life)
    - ◆ Customers with budget constraints (Super Value)
  - Focus on our customers in-store experience
  - Improve operational efficiencies
  - Maintain expense control
- Growth opportunity adding financial services within our existing store locations
- Focus on de-levering of our balance sheet and evaluate opportunities for repurchases of our common stock



# Rent-to-own - Store Economics

- Start-up investment of approximately \$500,000 (3/4 for inventory)
- Begin turning a monthly profit in approximately nine months
- Cumulative break even profit within 18–24 months
- Internal Rate of Return of approximately 50%<sup>(1)</sup>

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Revenues</b>	\$425,000	\$675,000	\$750,000	\$800,000	\$825,000
<b>EBITDA<sup>(1)</sup></b>	(\$50,000)	\$110,000	\$140,000	\$160,000	\$170,000
<b>EBITDA Margin<sup>(1)</sup></b>	(12%)	16%	19%	20%	21%

(1) Before market and corporate allocation and income tax expense, terminal value of 6.5 x EBITDA in Year 5





# Financial Services – Business Rationale

- Financial Services Industry
  - High growth – analyst estimate of high single digit store growth
  - Fragmented – similar to rent-to-own 25 years ago
  - Customer within RAC's national footprint
  - Attractive economics
  
- RAC's Strengths
  - Developing ongoing and lasting relationships with customers
  - Leveraging our real estate
  - Operating cash flow to support growth
  - Legislative expertise



# Financial Services – Operations

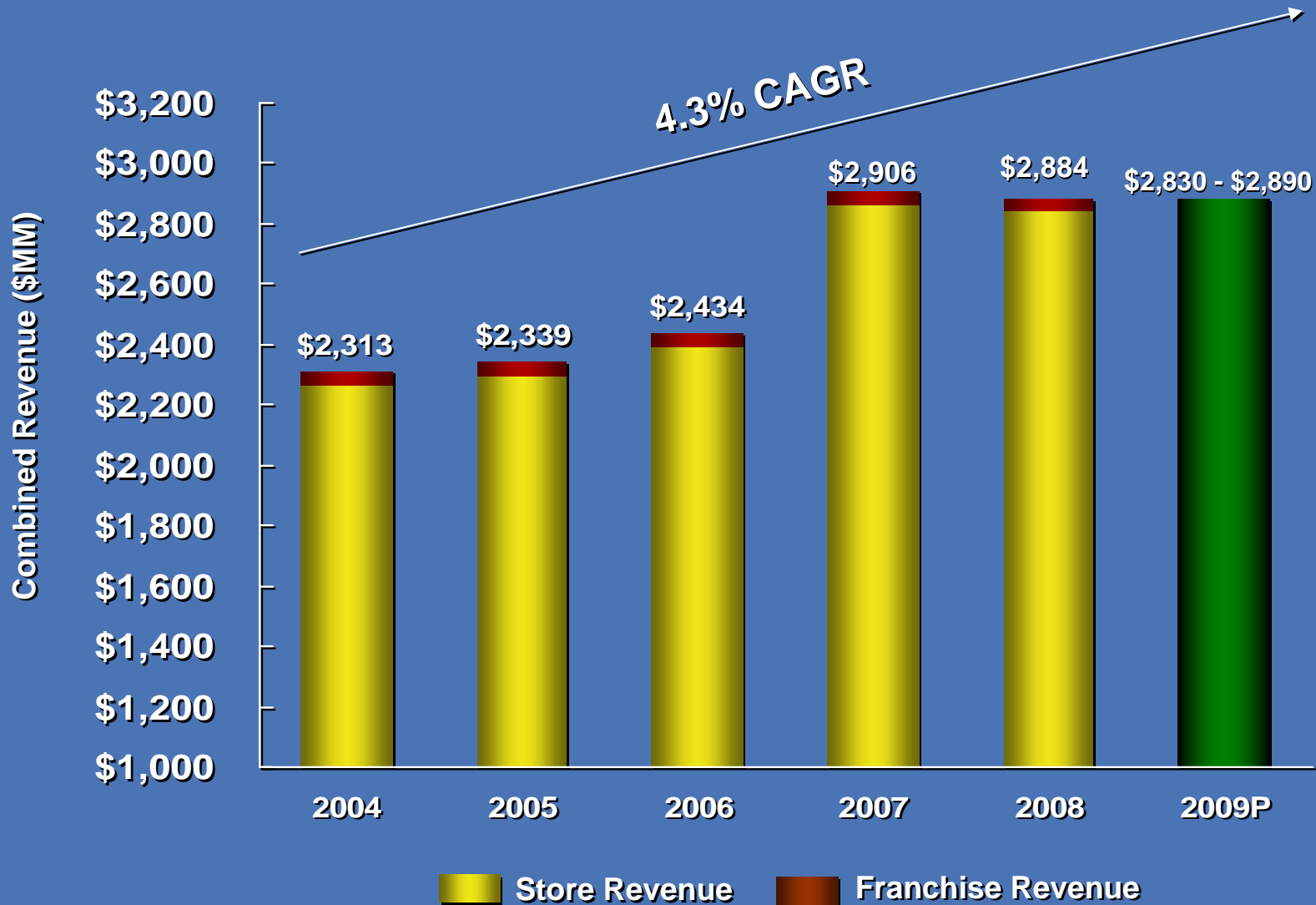
- Product offerings – primarily include deferred deposit and unsecured loans, check cashing, money transfers and money orders, debit cards and tax preparation
- Focusing on states that have enabling legislation
- Status of current operations
  - Work streams essentially completed and performing as designed providing a scalable platform
  - Delaying new store openings until a later date to focus on improving operations and financial results of 351 existing locations



# Financial Overview



# Sales Growth



# Same Store Sales Growth



# EBITDA and EBITDA Margin

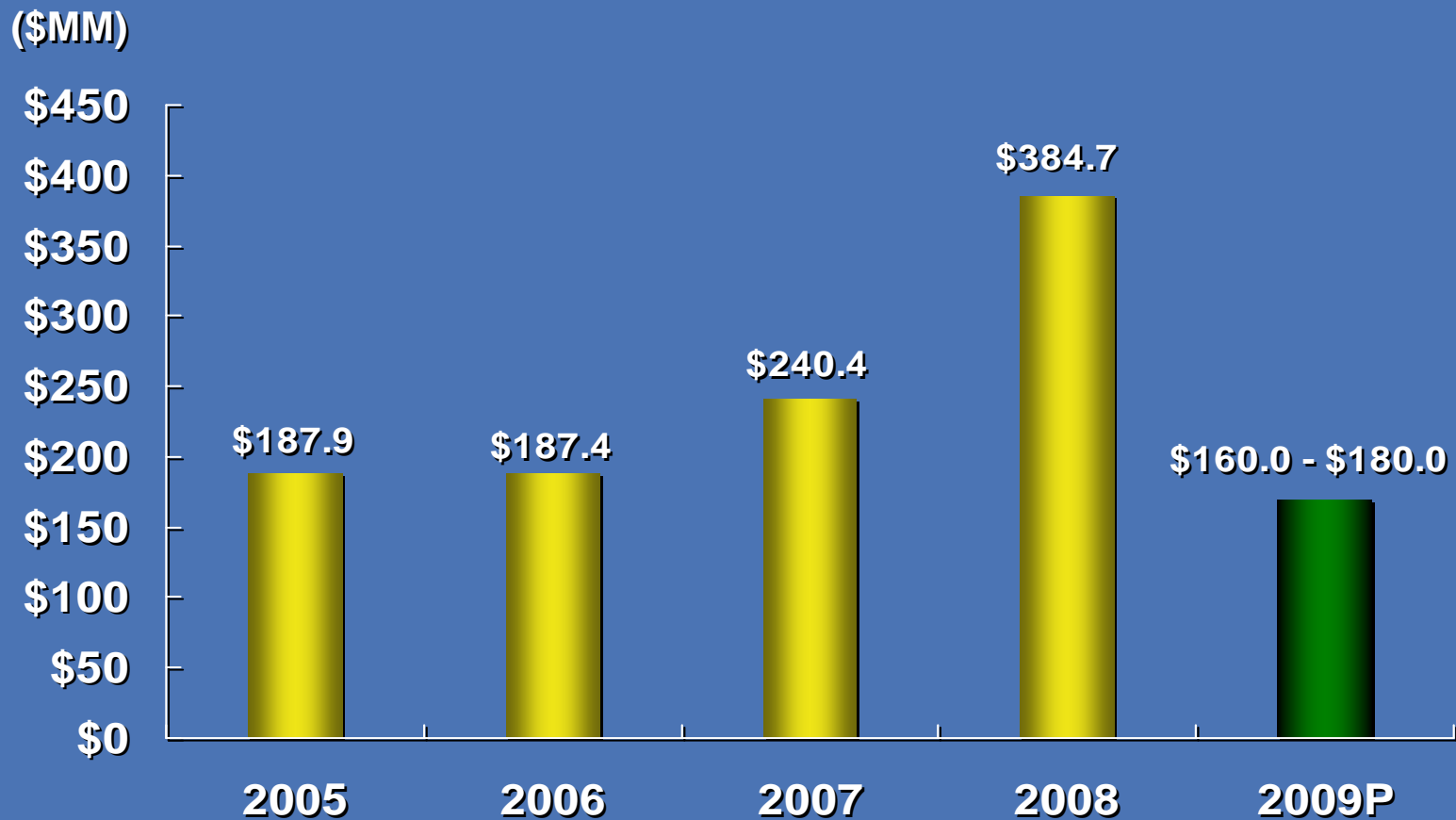


(1) Excludes non-recurring charges and credits





# Operating Cash Flow



2008 Operating Cash Flow – contribution included lower cash tax obligation of \$60 to \$70 million as a result of accelerated tax depreciation allowed under the Economic Stimulus Act of 2008. Approximately 75% of the tax deferral will reverse in 2009.



# Schedule of Free Cash Flow

## 2009 Estimate (\$MM)

EBITDA	\$355 - \$375
Net Cash Interest	(\$45)
CapEx	(\$60)
Working Capital	(\$10)
Taxes	(\$140)
Free Cash Flow	\$100 - \$120

OPERATING CASH FLOW	\$160 - \$180
CapEx	(\$60)
Free Cash Flow	\$100 - \$120

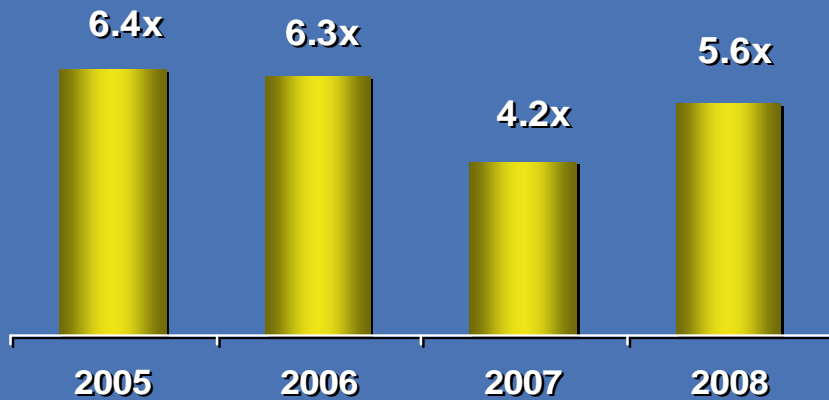
Note: Potential uses of Free Cash Flow include acquisitions, reduction in outstanding indebtedness or common stock repurchases.



# Key Credit Ratios

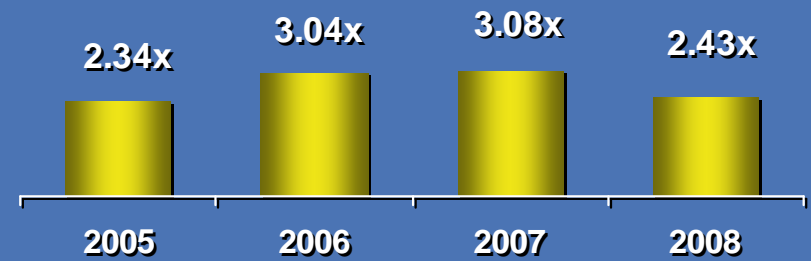
## Consolidated Interest Coverage

(LTM EBITDA / LTM Net Interest Expense)



## Consolidated Leverage Ratio

(Total Debt – Cash / LTM EBITDA)



# Current Capital Structure

<i>(in millions of dollars)</i>	<b>Dec 31 2008</b>	<b>% of Book Capital</b>	<b>Dec 31 2007</b>	<b>% of Book Capital</b>
Cash and Equivalents	\$87.4	N/A	\$97.4	N/A
Senior Credit Facilities	721.7	35.6%	959.3	43.5%
Subordinated Notes	225.4	11.1%	300.0	13.6%
Total Debt	947.1	46.7%	1,259.3	57.1%
Shareholder's Equity	1,079.2	53.3%	947.1	42.9%
Total Capitalization	\$2,026.3	100.0%	\$2,206.4	100.0%
Net Debt/Total Capitalization		42.4%		52.7%



# Debt Payment Schedule (\$MM)

	<u>Term A Loans</u>	<u>Term B Loans</u>	<u>Senior Sub Notes</u>	<u>Total</u>
2009	\$15.0	\$6.8	\$ -	\$21.8
2010	85.0	6.8	225.4	317.1
2011	75.0	199.7	-	274.7
2012	-	320.9	-	320.9
2013	-	-	-	-
<b>Total of Remaining Payments</b>	<b>\$175.0</b>	<b>\$534.2</b>	<b>\$225.4</b>	<b>\$934.5</b>

Note: We have approximately \$260M in revolving lines of credit that can be deployed if needed to make scheduled payments



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