

# RAC

*Rent·A·Center®*

*Investor Presentation  
4<sup>th</sup> Quarter & Year End 2004*



March 3, 2005

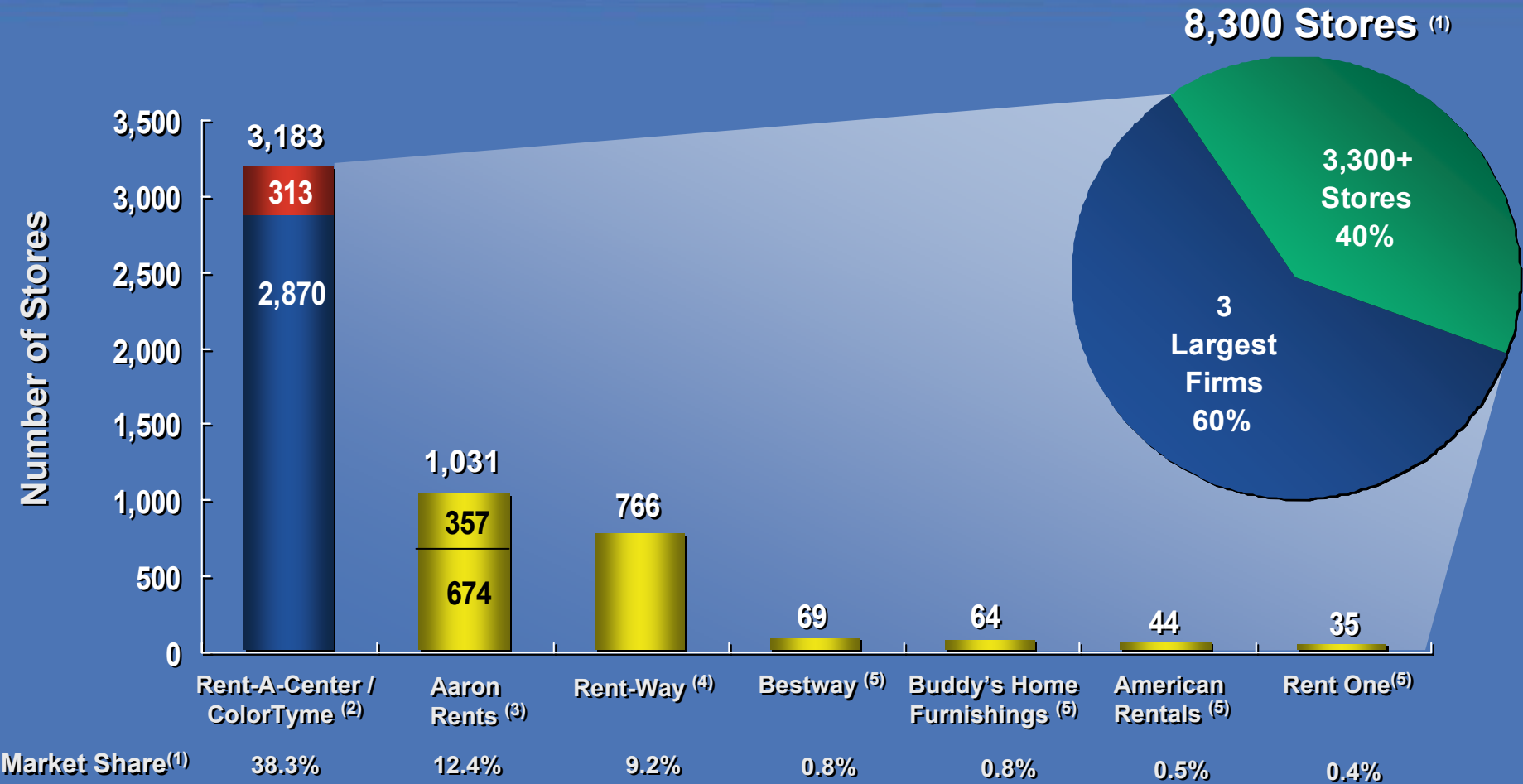
# Key Investment Rationale

- Leading rent-to-own operator in the U.S.
- Proven business model
- Multiple growth drivers
- Predictable revenue stream
- Strong cash flow generation
- Experienced management team

# Leading RTO Operator in U.S.

- Largest rent-to-own operator in the U.S.
  - 35% market share based on 2,870 domestic store count as of 12/31/04
  - ColorTyme subsidiary represents an additional 4% market share
- Broad selection of high quality goods through flexible rental agreements
  - Home electronics – 36% of rental revenue
  - Furniture and home accessories - 37% of rental revenue
  - Appliances - 15% of rental revenue
  - Personal computers – 12% of rental revenue
- Primarily serves the “underbanked” consumer
- Generated \$2.31 billion in LTM revenue and \$389.3 million in LTM EBITDA as of December 31, 2004

# Leading Player in Fragmented Marketplace

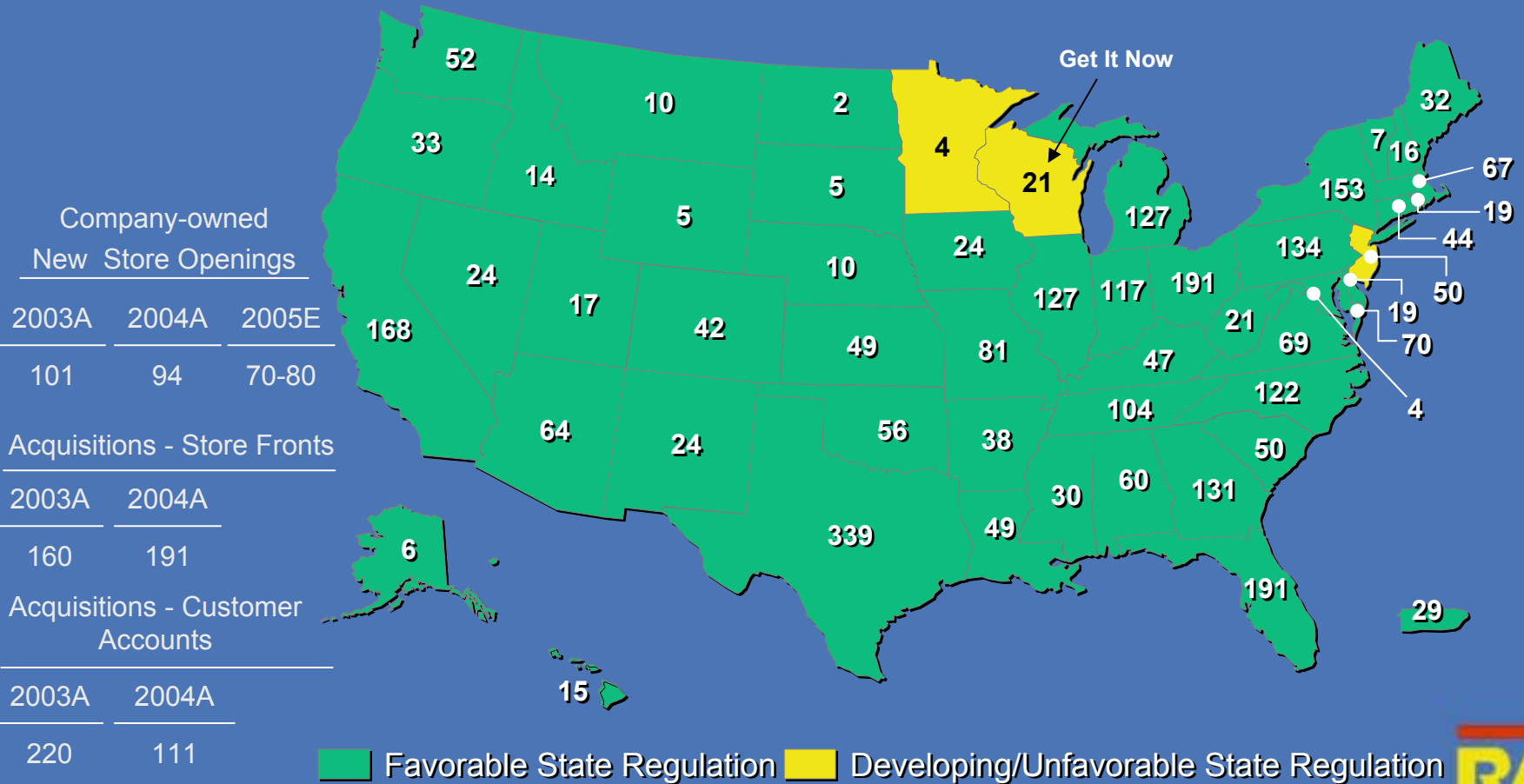


Notes: (1) Based on Association of Progressive Rental Organization (APRO) estimates in 2004 Industry Survey of 8,300 total stores  
 (2) Company data as of December 31, 2004  
 (3) Company earnings press release of February 23, 2005  
 (4) Company press release of January 27, 2005  
 (5) Company website estimates as of February 7, 2005

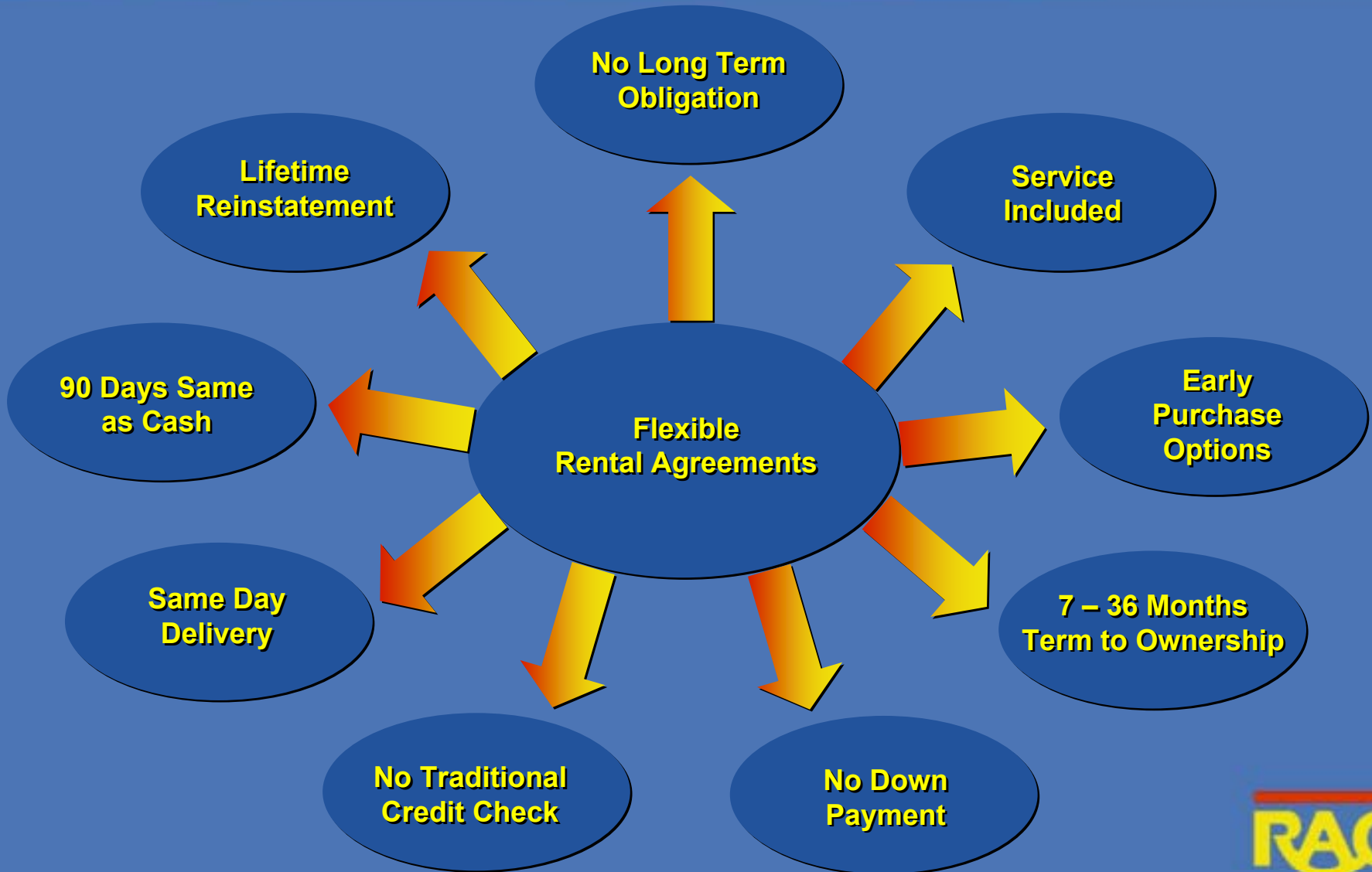


# Leading National Footprint

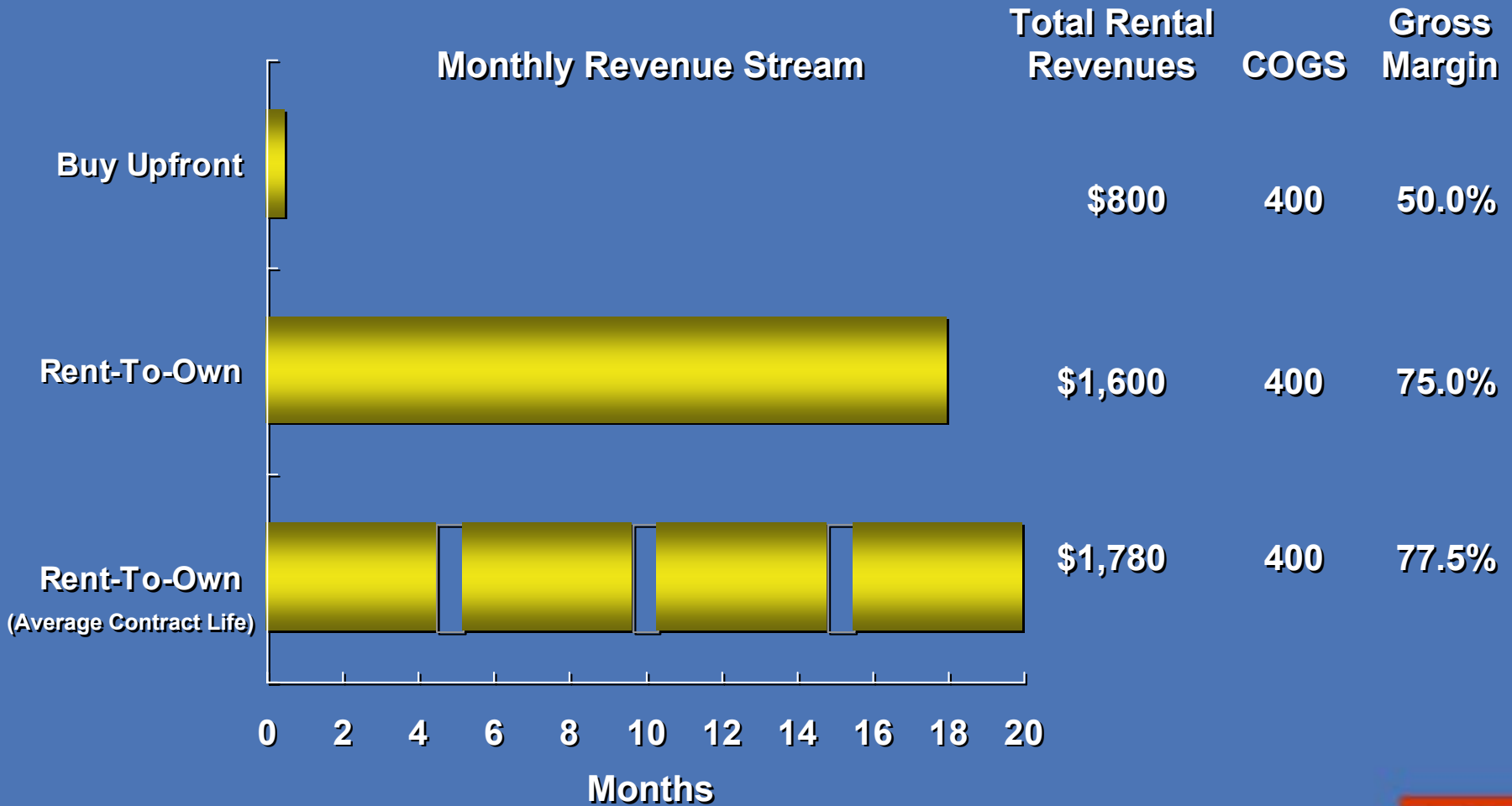
2,870 domestic company-owned stores and 313 franchised stores  
5 company-owned stores in Canada



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

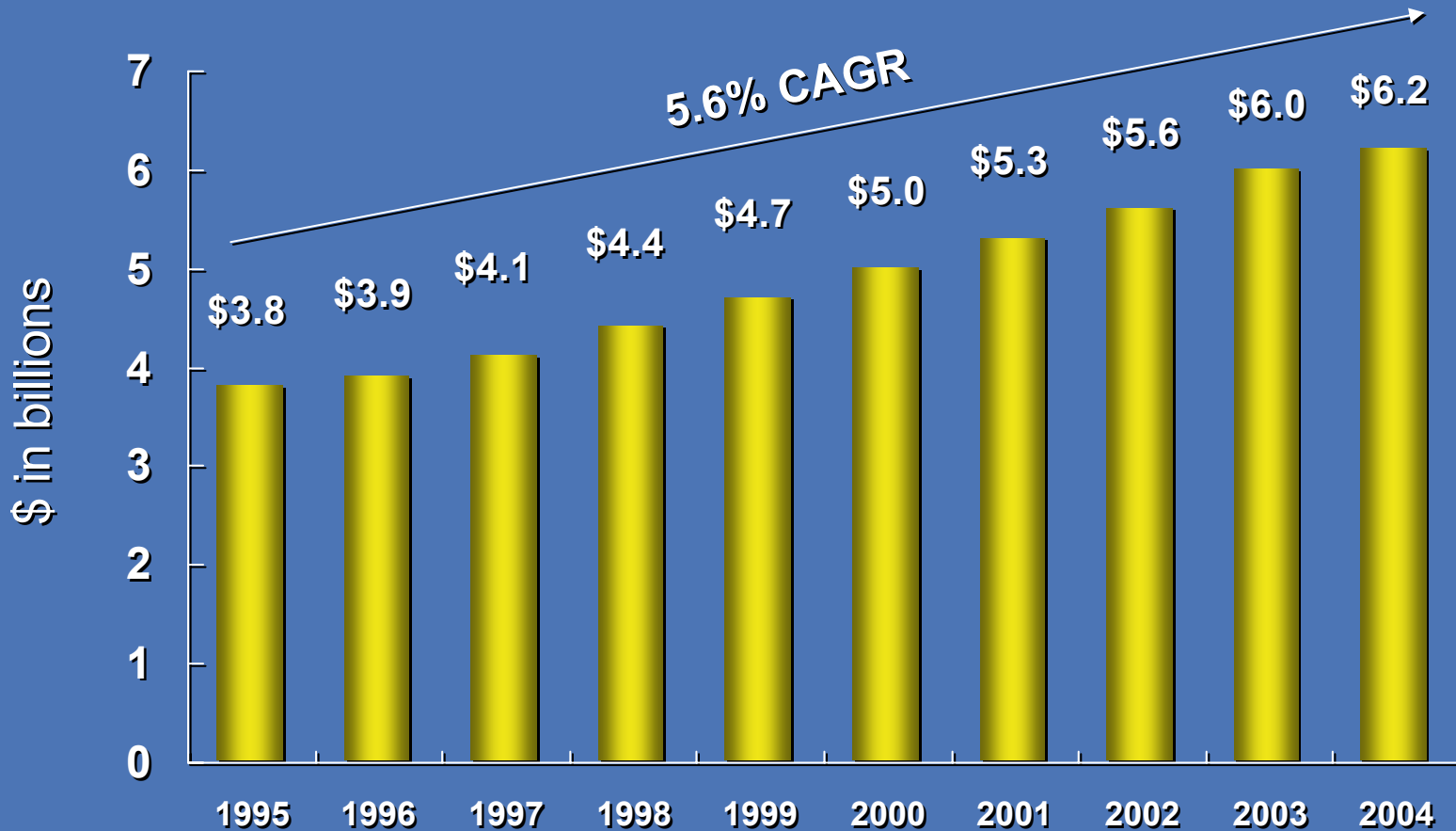


# ...With Attractive Economics ...





# ...Consistent Industry Growth...



Source: APRO 2004 Industry Survey



# Six Levers of Growth

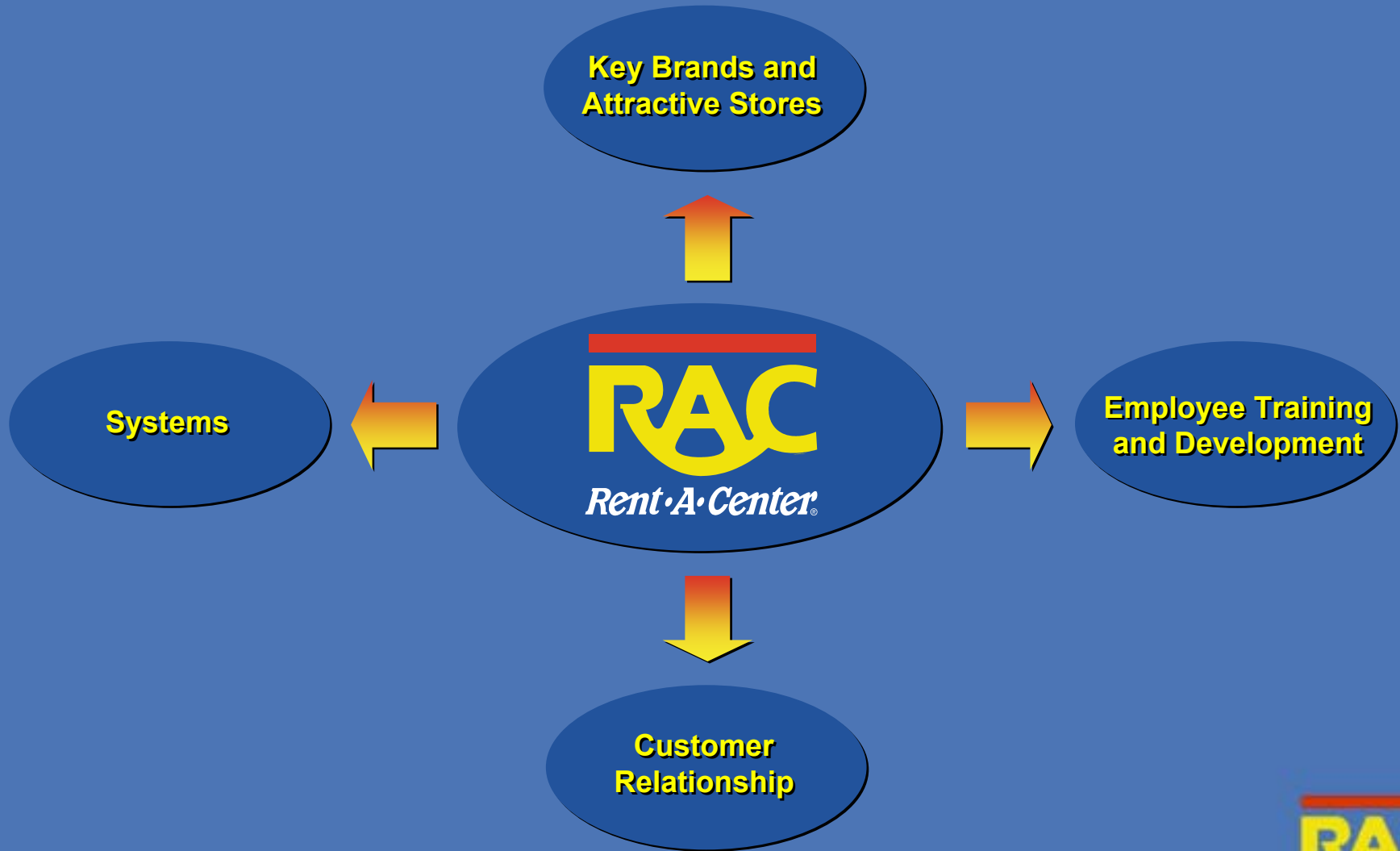
- Open New Stores
- Acquire Existing Rent-to-Own Stores
  - Storefronts
  - Customer Accounts
- Grow Same Store Sales
  - Merchandise Mix
  - Agreements per Customer
  - Customer Growth

# Serves the “Underbanked Working Family”

- 75% of Customers in the Industry have Household Incomes between \$15,000 and \$50,000<sup>(1)</sup>
- 45 million Households with Household Incomes between \$15,000 and \$50,000<sup>(2)</sup>
- Industry is Serving only 2.7 million of these Households<sup>(3)</sup>
- Great Market Opportunity

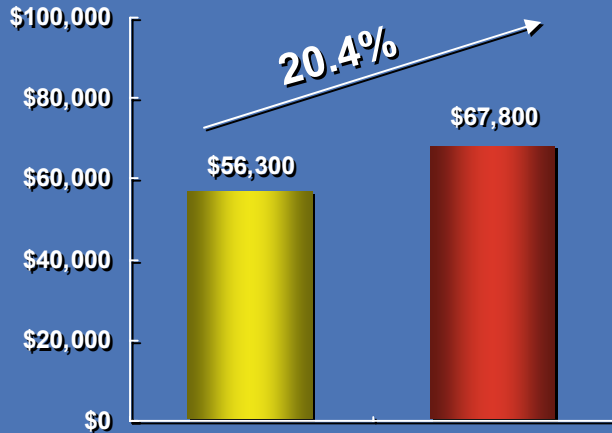
Note: (1) America's Research Group, August 2004  
(2) U.S. Census Bureau - 2001  
(3) APRO 2004 Industry Survey

# Proven Business Model

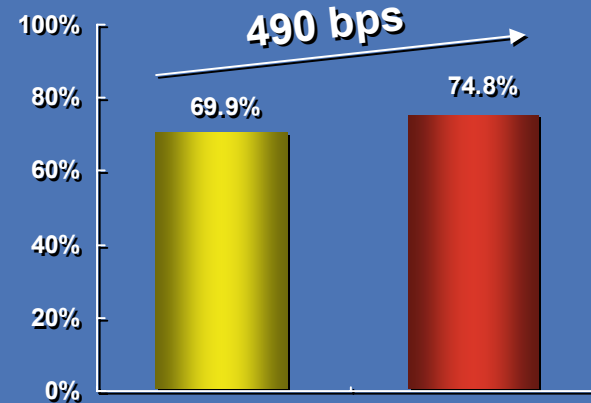


# Rent-A-Center Store Profitability vs. Peers

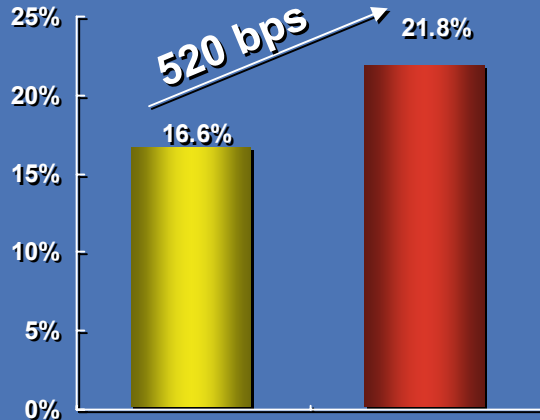
## Monthly Revenue



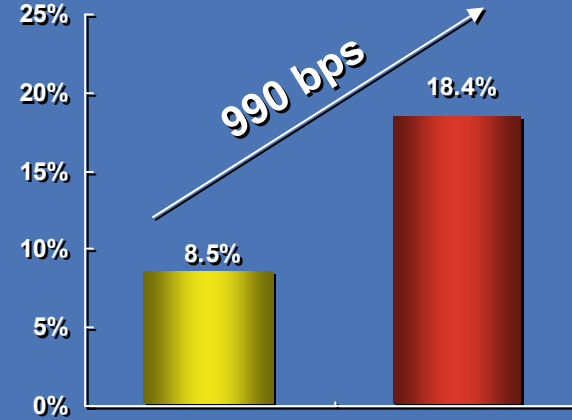
## Gross Profit Margin



## Store Operating Margin



## EBITDA Margin



■ Industry Average (1)

■ Average RCII Store (2)

Notes: (1) Source: APRO 2004 Industry Survey.

(2) Per LTM data for the period ended December 31, 2004 for Rent-A-Center stores (excludes Rainbow & Rent Rite storefronts, Get It Now, ColorTyme, and Canada)

(3) Store Operating Margin is before overhead allocation, EBITDA Margin is after overhead allocation



# Easily Accessible, Highly Visible Sites



Leased Sites Only



# Spacious Showroom Interior



No Warehouses - Vendors Ship Directly to the Stores

# High Quality, Brand-name Merchandise

**Electronics**  
36% of Rental  
Revenue

**SONY®**

**JVC®**

**PHILIPS**

**HITACHI**

 **MITSUBISHI**

**TOSHIBA**

**Furniture**  
37% of Rental  
Revenue

 **ASHLEY**

 **Simmons®**

 **England™**

 **BERKLINE®**

**Appliances**  
15% of Rental  
Revenue

 **Whirlpool**



**Computers**  
12% of Rental  
Revenue



**COMPAQ**

**DELL™**



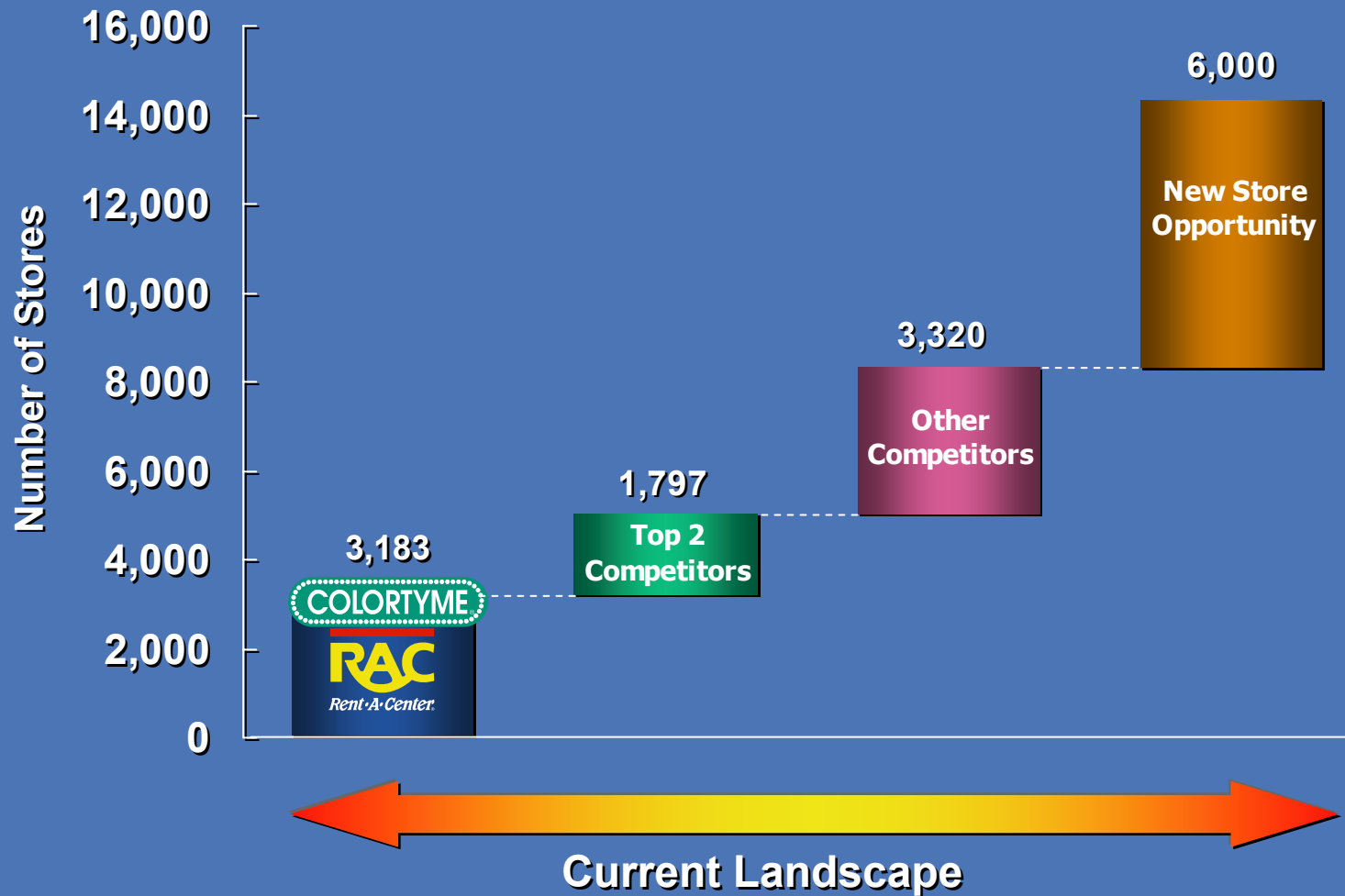




# Strategic Objectives

- Enhance Store Level Operations and Profitability
- Open New Stores
- Acquire Existing Rent-to-Own Stores
- Enhance National Brand
- Expand into New Businesses that serve our Customer Demographic

# Significant Domestic Market Opportunity



# Strong New 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 within 18–24 months
- Internal Rate of Return of approximately 50%<sup>(1)</sup>

	Year 1	Year 2	Year 3	Year 4
<b>Revenues</b>	\$425,000	\$675,000	\$750,000	\$800,000
<b>EBITDA</b>	(\$50,000)	\$110,000	\$140,000	\$160,000
<b>EBITDA Margin</b>	(12.0%)	16.0%	19.0%	20.0%

Note: (1) Before market and corporate allocation and income tax expense, terminal value of 6.5 X EBITDA in Year 4

# Enhancing National Brand

SELECT YOUR SAVINGS!  
(selections to absorb!)

**NO UPFRONT PAYMENT!**  
**GET UP TO 7 DAYS FREE** OR **1 WEEK FREE**

On Prices For Automatic Dish Washers / Dish Cleaners\* From One Week Or More! From One Season To Another (See Details)

Member 44 To Receive Offer. Offer Not Valid On Some Items.

**WANT IT. GET IT. OWN IT.**

Ask Us About **RAC Benefits Plus**  
Medical Expenses, Merchandise Protection And More

**NEW ABOUT PAYMENT BY PHONE**

**America's First Choice ... Over 2,800 Stores Strong!**  
La opción #1 de América ... más de 2,800 tiendas te respaldan!

**RAC Rent-A-Center**  
RENT TO OWN FURNITURE, APPLIANCES, ELECTRONICS AND COMPUTERS.  
RENTALS CON OPCIÓN DE COMPRA. MUEBLES, ELECTRODOMESTICOS, EQUIPO ELECTRONICO Y COMPUTACION.

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SONY Panasonic PHILIPS BERKLINE *Wynfield* SILEY *2000* COMPRAZ



- National and spot media
- Loyalty program
- NASCAR sponsorship with Ford Motor Company and the U.S. Air Force
- Strategic Business Relationships

# Experienced Management Team

- Senior management team is the most experienced in RTO industry
  - CEO Mark Speese has over 26 years RTO experience
  - President Mitch Fadel has over 21 years of RTO experience
  - Senior executives average over 10 years of RTO experience
- Attracting the best personnel with industry-leading salary and incentive plans



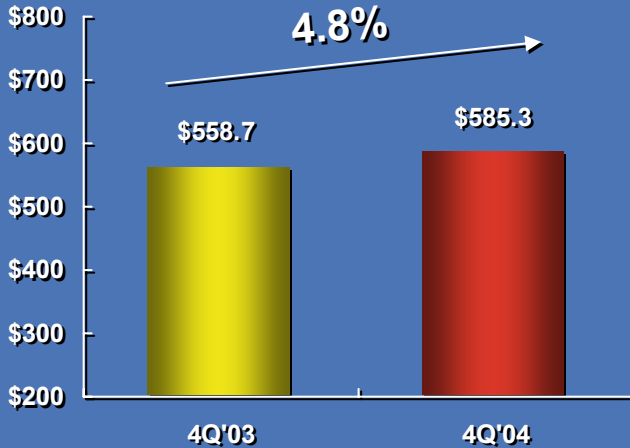
# Financial Overview



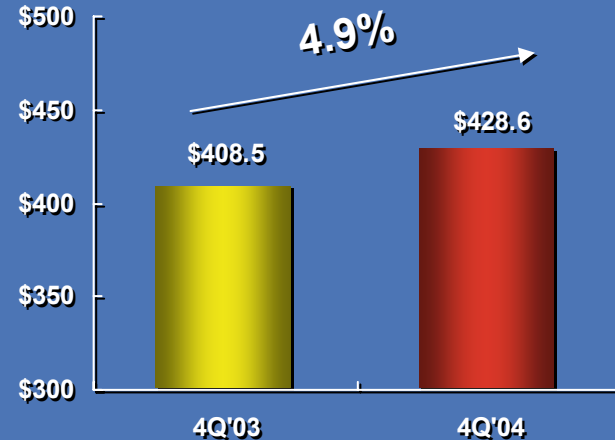


# 4Q'04 Review

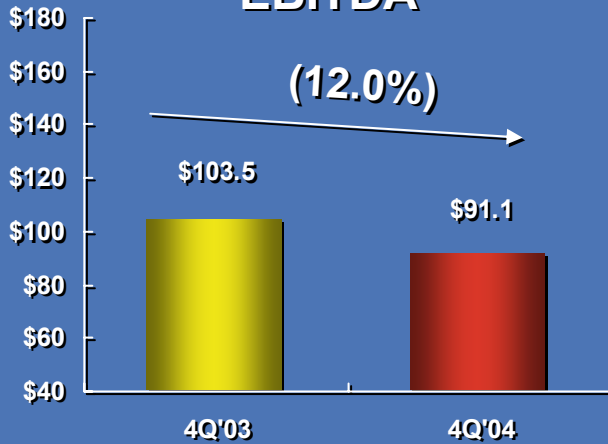
## Revenue



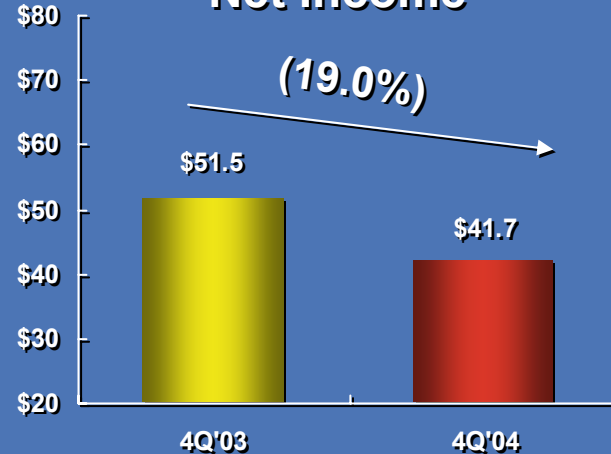
## Gross Profit



## EBITDA



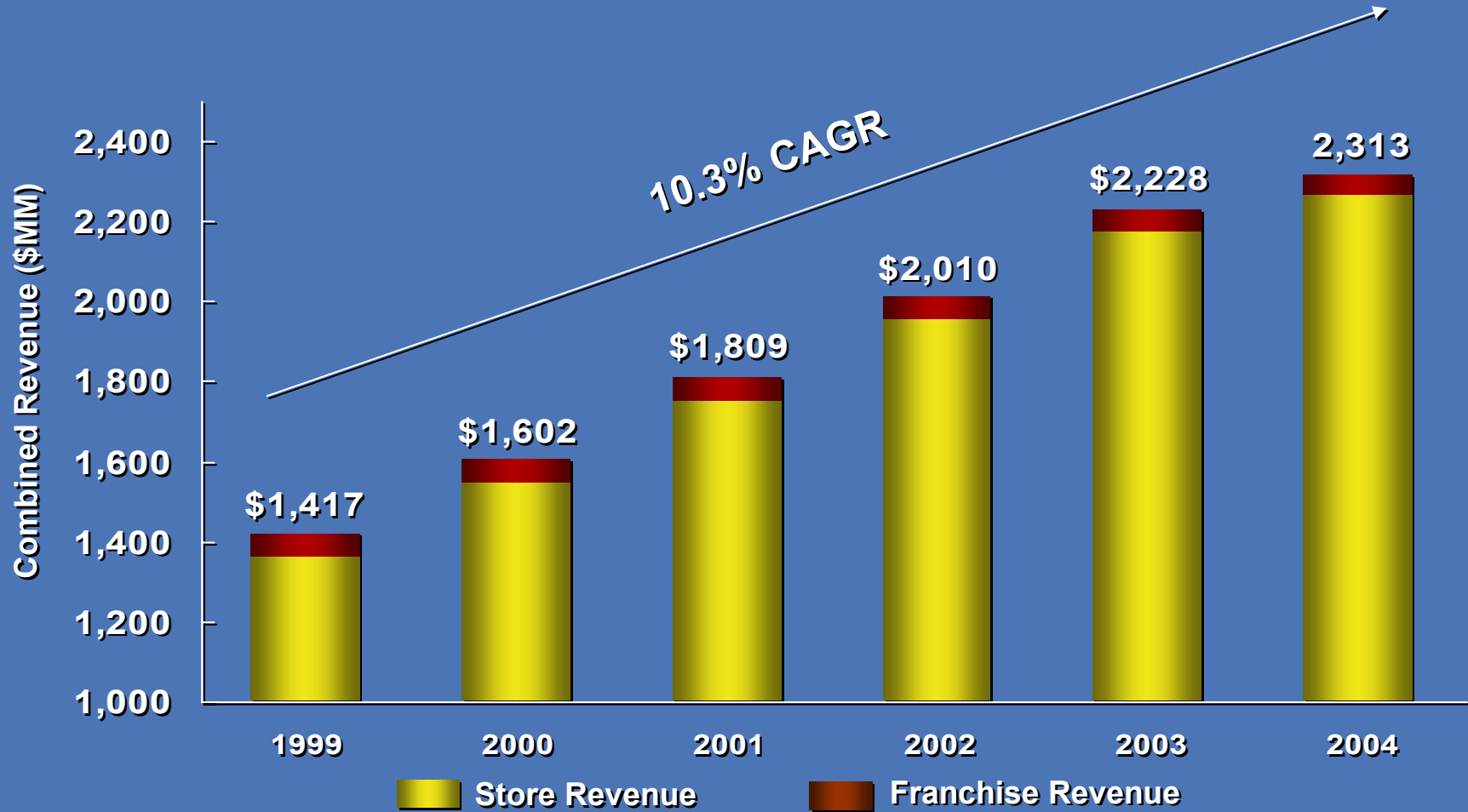
## Net Income



EBITDA Margin	4Q'03	4Q'04
	18.5%	15.6%

Net Income Margin	4Q'03	4Q'04
	9.2%	7.1%

# Strong, Consistent Sales Growth



# Current Capital Structure

<i>(in millions of dollars)</i>	<b>Dec 31 2003</b>	<b>% of Book Capital</b>	<b>Dec 31 2004</b>	<b>% of Book Capital</b>
Cash & Equivalents	\$143.9	N/A	\$58.8	N/A
Senior Credit Facilities	398.0	26.7%	408.3	27.1%
Subordinated Notes	300.0	20.1%	300.0	20.0%
Total Debt	698.0	46.8%	708.3	47.1%
Shareholders' Equity	794.8	53.2%	794.3	52.9%
Total Capitalization	\$1,492.8	100.0%	\$1,502.6	100.0%

Consolidated Leverage Ratio 1.73x (4Q'04)

Consolidated Interest Coverage Ratio 10.37x (4Q'04)



# Schedule of Free Cash Flow

## 2005 Estimate

EBITDA	\$375MM - \$395MM
Net Cash Interest	(\$40MM)
CapEx	(\$60MM)
Net Investment in Rental Merchandise	(\$10MM)
Taxes	(\$130MM)
Free Cash Flow	\$135MM - \$155MM

**Free Cash Flow Yield of Approximately 6%**

# Guidance

<u>QUARTERLY</u>	<u>1Q'04A</u>	<u>1Q'05P</u>	<u>Growth</u>
Total Revenue	\$585.4MM	\$598.0-\$606.0MM	2-4%
Diluted EPS	\$0.63	\$0.55-\$0.59	(13)-(6)%
<u>ANNUAL</u>	<u>2004A</u>	<u>2005P</u>	<u>Growth</u>
Total Revenue	\$2.31BN	\$2.39-\$2.42BN	3-5%
Diluted EPS	\$2.28*	\$2.30-\$2.40	1-5%

\* Excludes the effects of \$47.0 million in pre-tax charges associated with the Griego/Carrillo litigation and \$4.2 million in pre-tax charges associated with refinancing of the Company's senior credit facility. It also excludes the effects of \$7.9 million in one-time other income associated with the sale of charged-off accounts.

# Key Investment Rationale

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# Safe Harbor Statement

This presentation 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; 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; changes in the Company’s effective tax rate; changes in the Company’s stock price and the number of shares of common stock that the Company may or may not repurchase; changes in fuel prices; 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/A for the year ended December 31, 2003, and its quarterly reports on Form 10-Q/A for the three month period ended March 31, 2004, Form 10-Q for the six month period ending June 30, 2004, and Form 10-Q for the nine month period ending September 30, 2004. 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.