

# RAC

*Rent-A-Center*®

*Investor Presentation*

*First Quarter 2006*



April 25, 2006

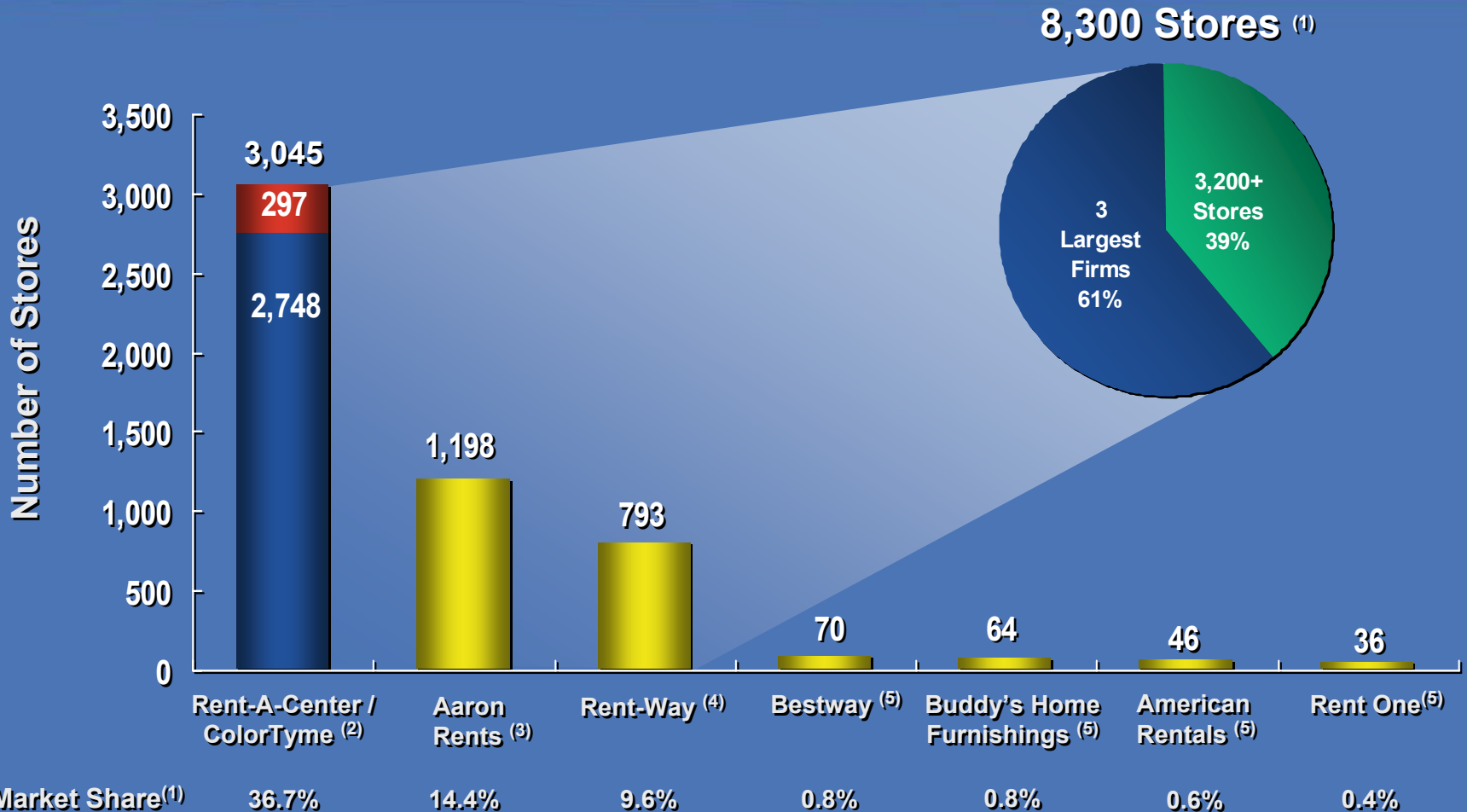
# Key Investment Rationale

- Leading rent-to-own operator in the U.S.
- Proven business model
- Experienced management team
- Financially solid
  - Strong cash flow generation
  - Sound balance sheet & strong credit statistics
- Continue expansion of our rent-to-own footprint
- 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.
  - 33% market share based on 2,748 domestic store count as of 3/31/06
  - ColorTyme subsidiary represents an additional 4% market share
- Broad selection of high quality, brand-name merchandise through flexible rental agreements
  - Major consumer electronics – 34% of rental revenue
  - Furniture and home accessories - 37% of rental revenue
  - Appliances - 16% of rental revenue
  - Personal computers – 13% of rental revenue
- Primarily serves the “underbanked” consumer
- Generated \$2.34 billion in LTM revenue and \$323.5 million in LTM adjusted EBITDA as of March 31, 2006

# Leading Player in Fragmented Marketplace

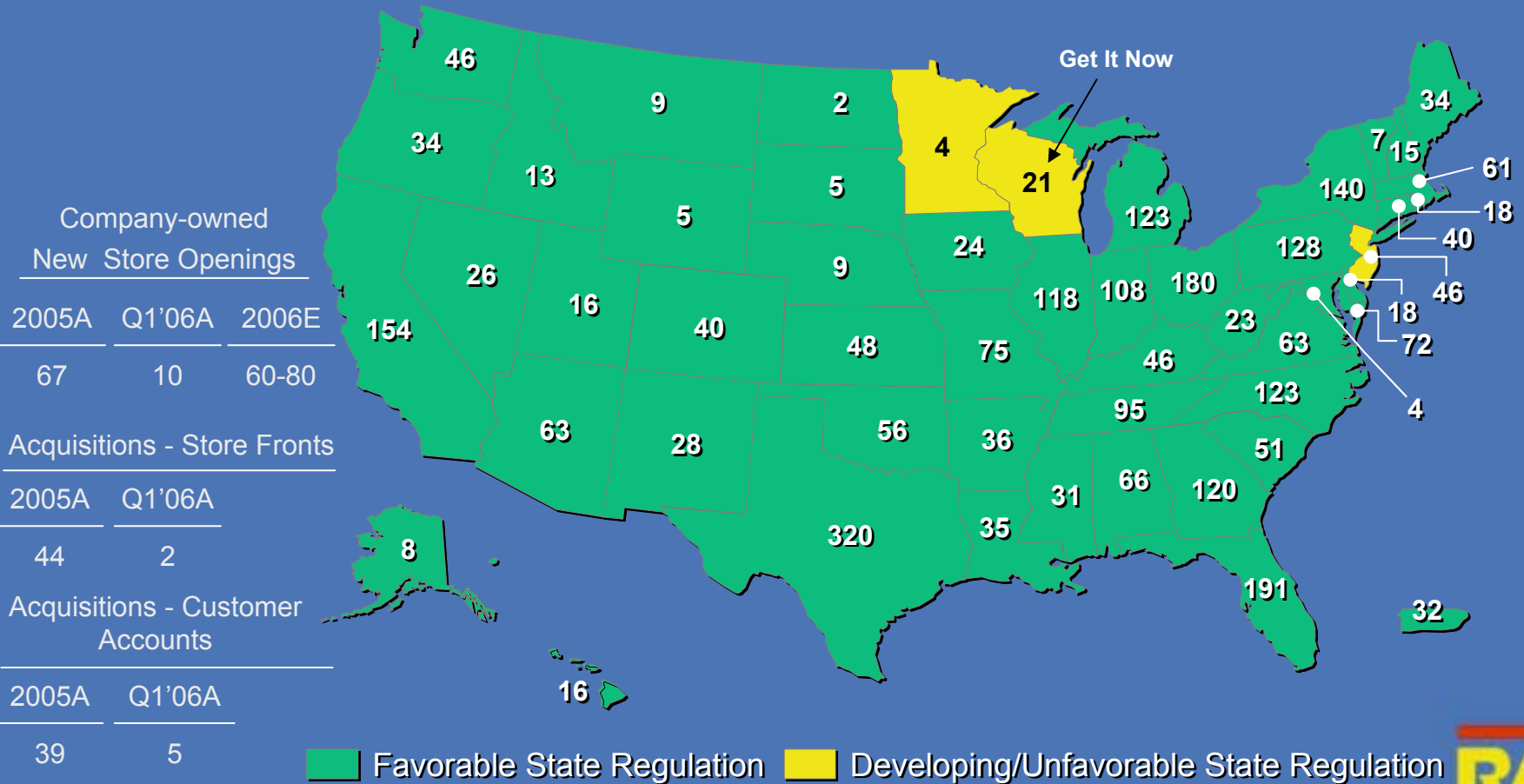


- Notes: (1) Based on Association of Progressive Rental Organization (APRO) estimates in 2005 Industry Survey of 8,300 total stores  
 (2) Company data as of March 31, 2006  
 (3) Company earnings press release of February 23, 2006  
 (4) Company press release of April 13, 2006  
 (5) Company website estimates as of April 17, 2006

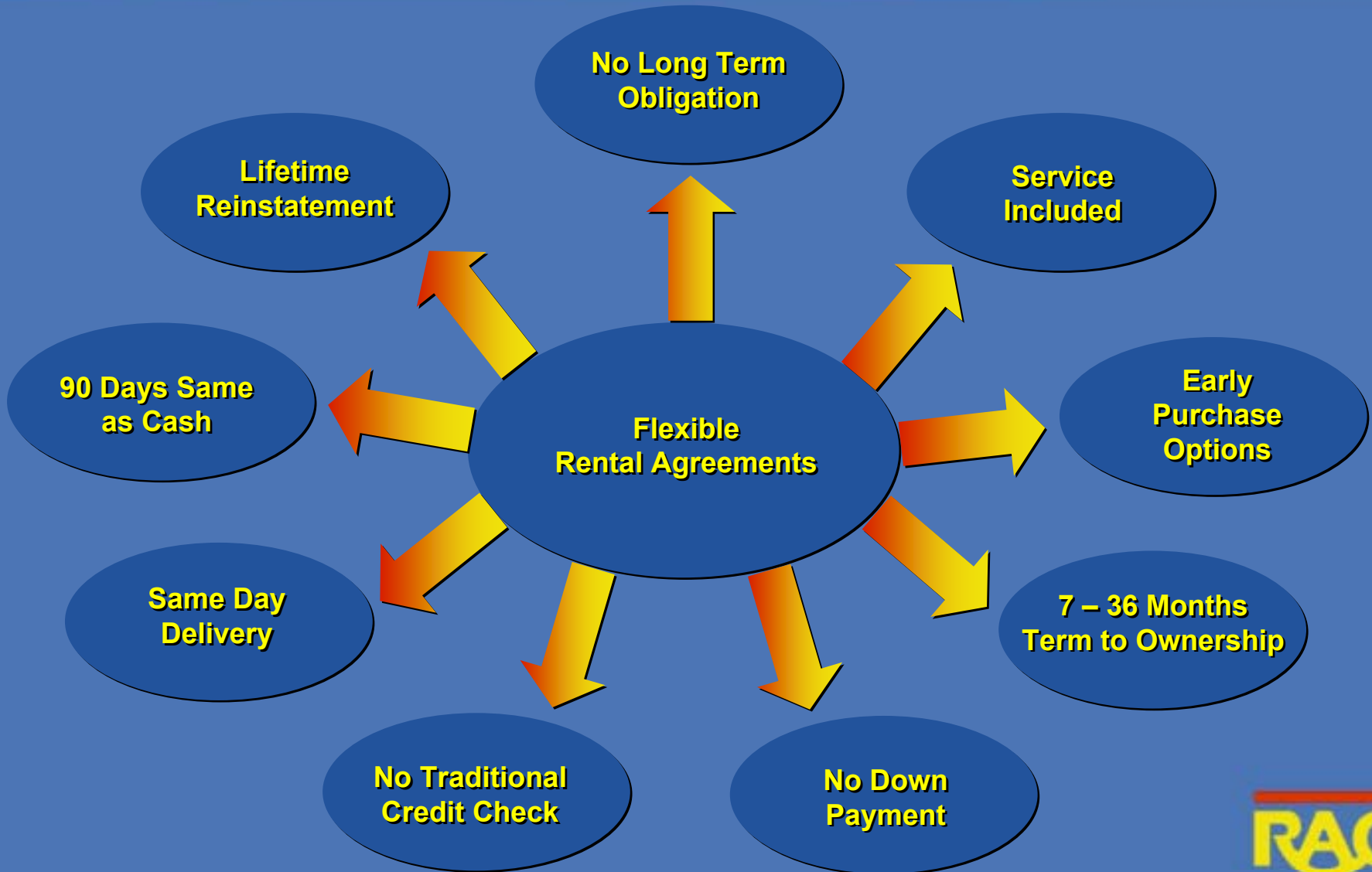


# Leading National Footprint

2,748 domestic company-owned stores and 297 franchised stores  
7 company-owned stores in Canada



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

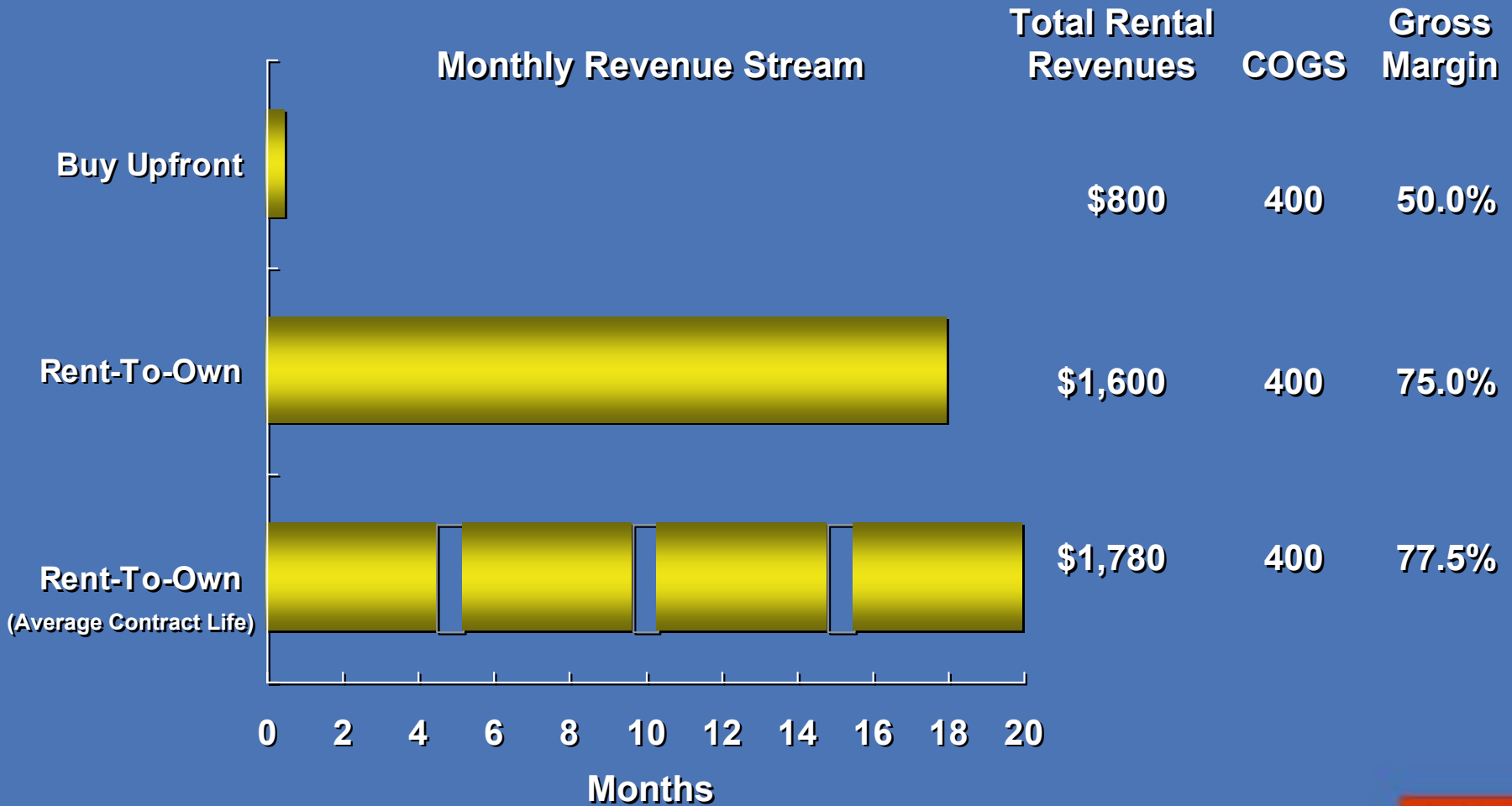


# ...Serving the “Underbanked Working Family”...

- 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

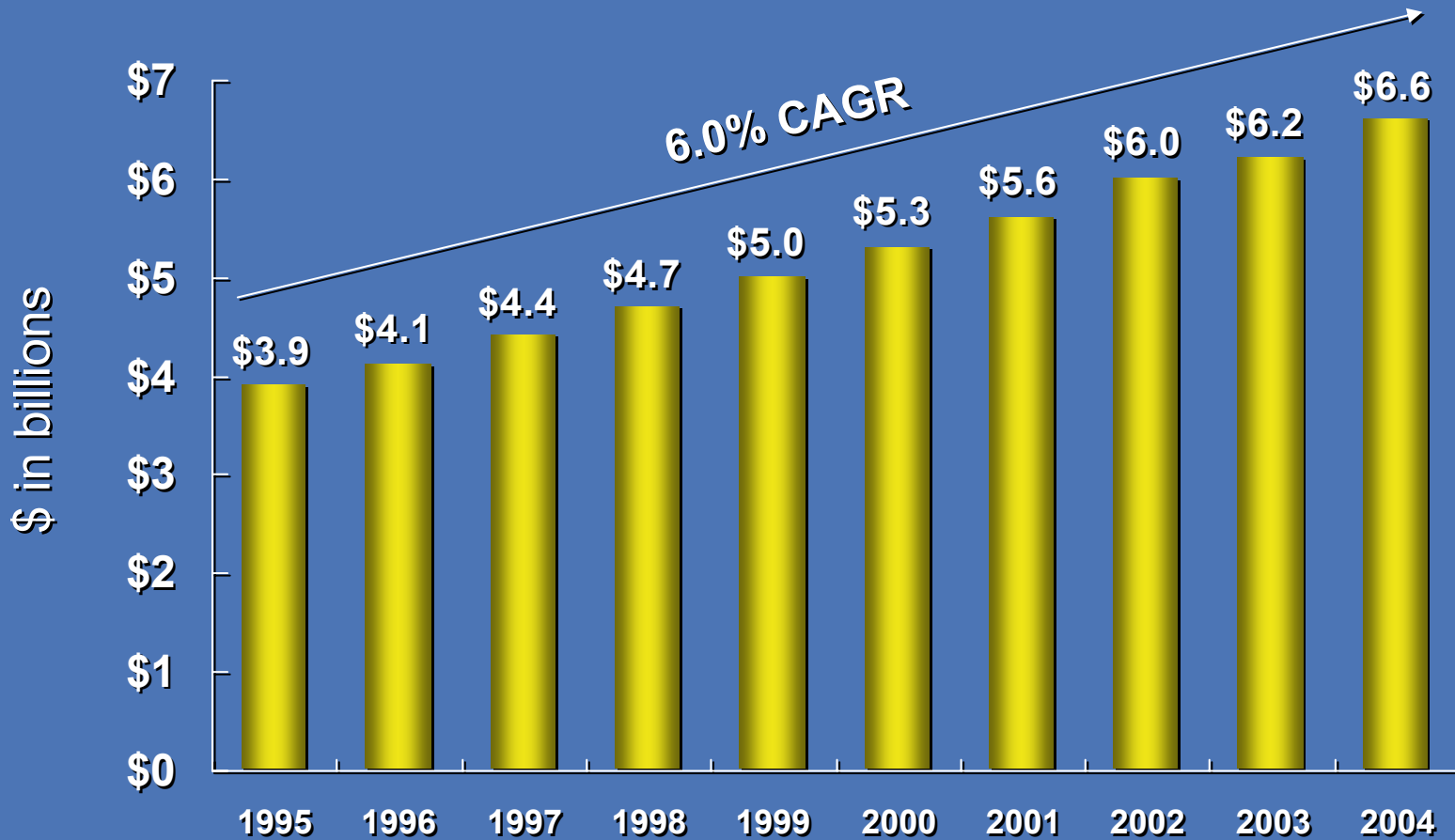
Note: (1) America's Research Group, August 2004  
(2) U.S. Census Bureau - 2001  
(3) APRO 2005 Industry Survey

# ...With Attractive Economics ...



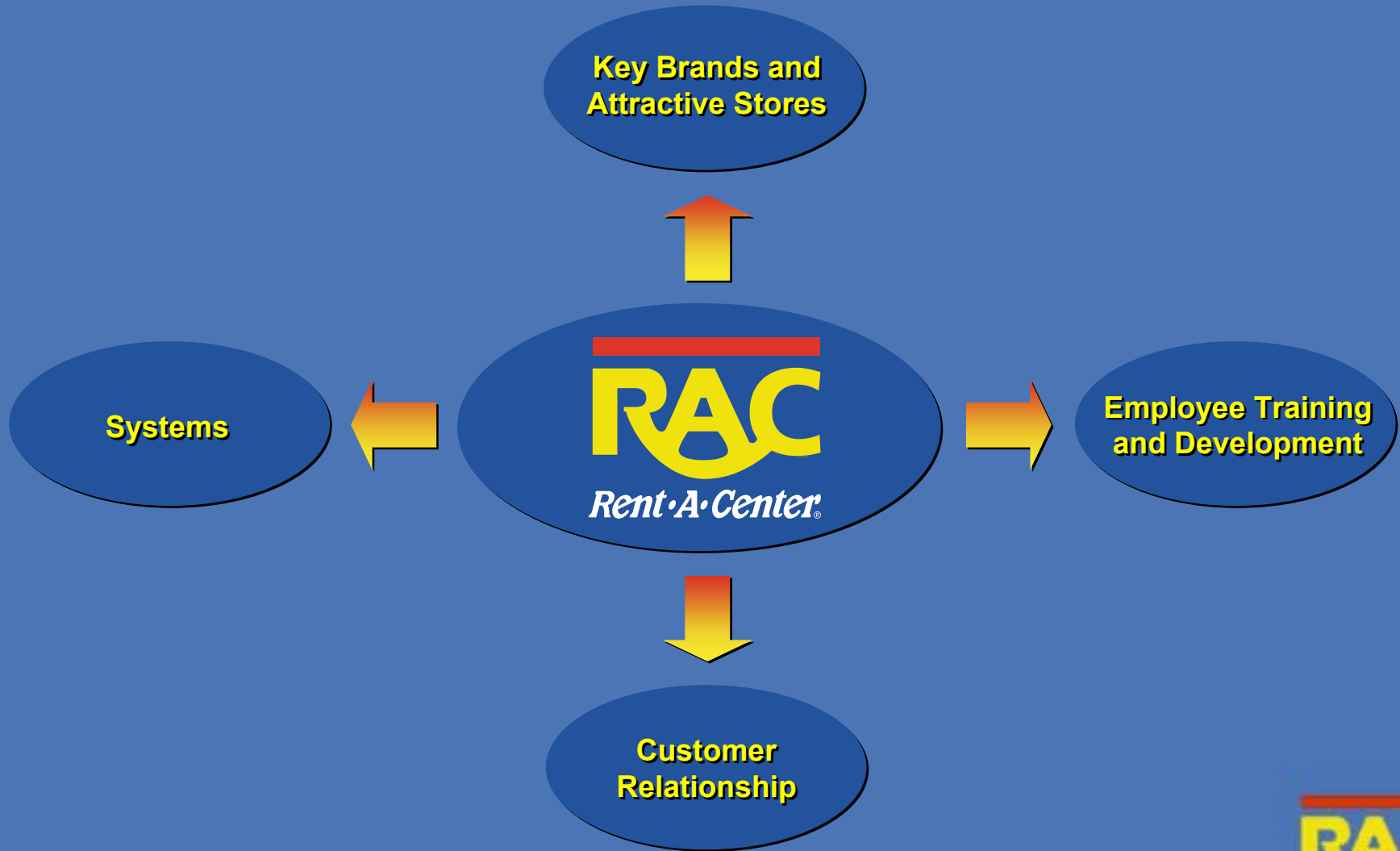


# and Consistent Industry Growth



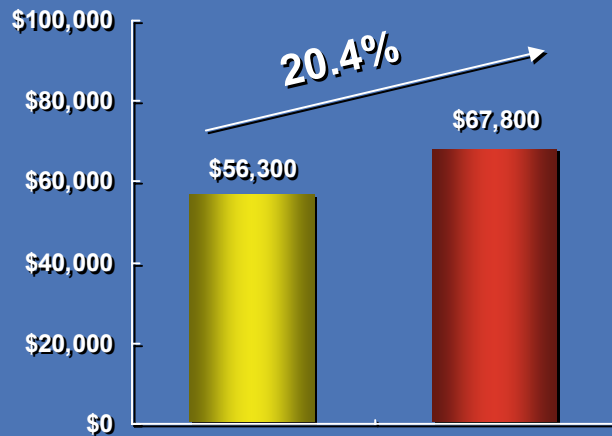
Source: APRO 2005 Industry Survey

# Proven Business Model

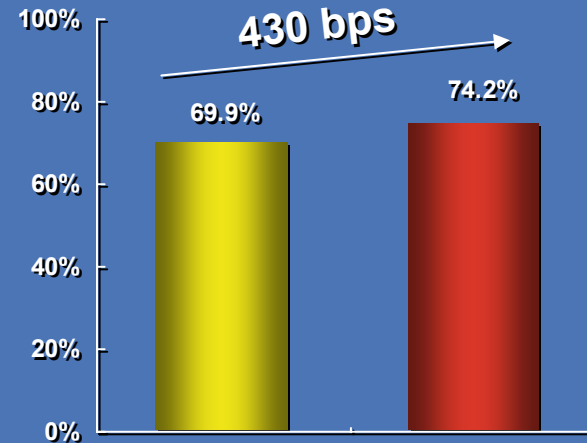


# Rent-A-Center Store Profitability vs. Peers

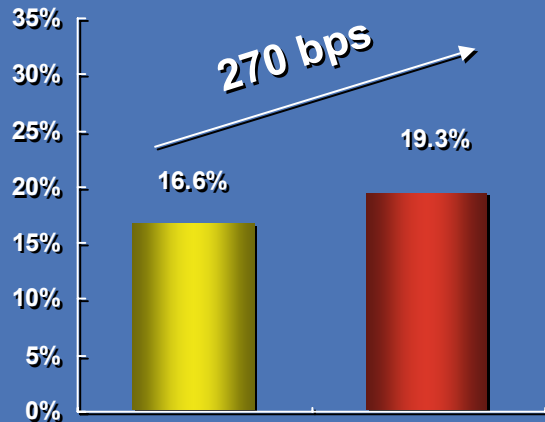
## Monthly Revenue



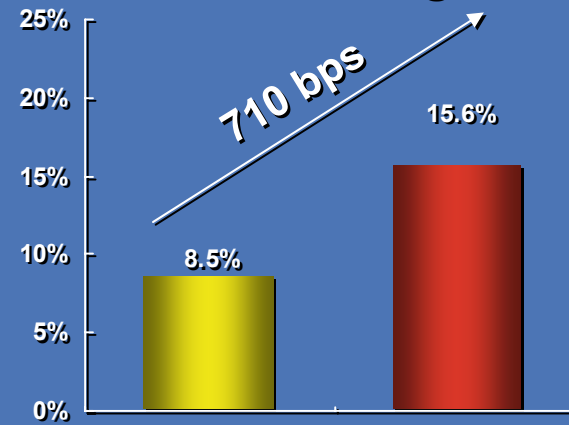
## Gross Profit Margin



## Store Operating Margin



## EBITDA Margin



■ Industry Average (1)
 ■ Average RCI Store (2)

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

(2) Per LTM data for the period ended March 31, 2006 for Rent-A-Center stores (excludes 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**  
34% of Rental  
Revenue

**SONY**<sup>®</sup>

**PHILIPS**

**TOSHIBA**

 **MITSUBISHI**

**HITACHI**

**Furniture**  
37% of Rental  
Revenue

 **ASHLEY**

 **Simmons**<sup>®</sup>

*Standard*

 **BERKLINE**<sup>®</sup>

**Appliances**  
16% of Rental  
Revenue

 **Whirlpool**

**Computers**  
13% of Rental  
Revenue



**COMPAQ**

**DELL**<sup>™</sup>

**TOSHIBA**



# Experienced Management Team

- Senior management team is the most experienced in RTO industry
  - CEO Mark Speese has over 27 years of RTO experience
  - President Mitch Fadel has over 22 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 and profitability
  - Grow same store sales
  - Maintain expense control
- Open new stores
- Acquire existing rent-to-own stores
  - Storefronts
  - Customer account
- Growth opportunity adding financial services within our existing store locations

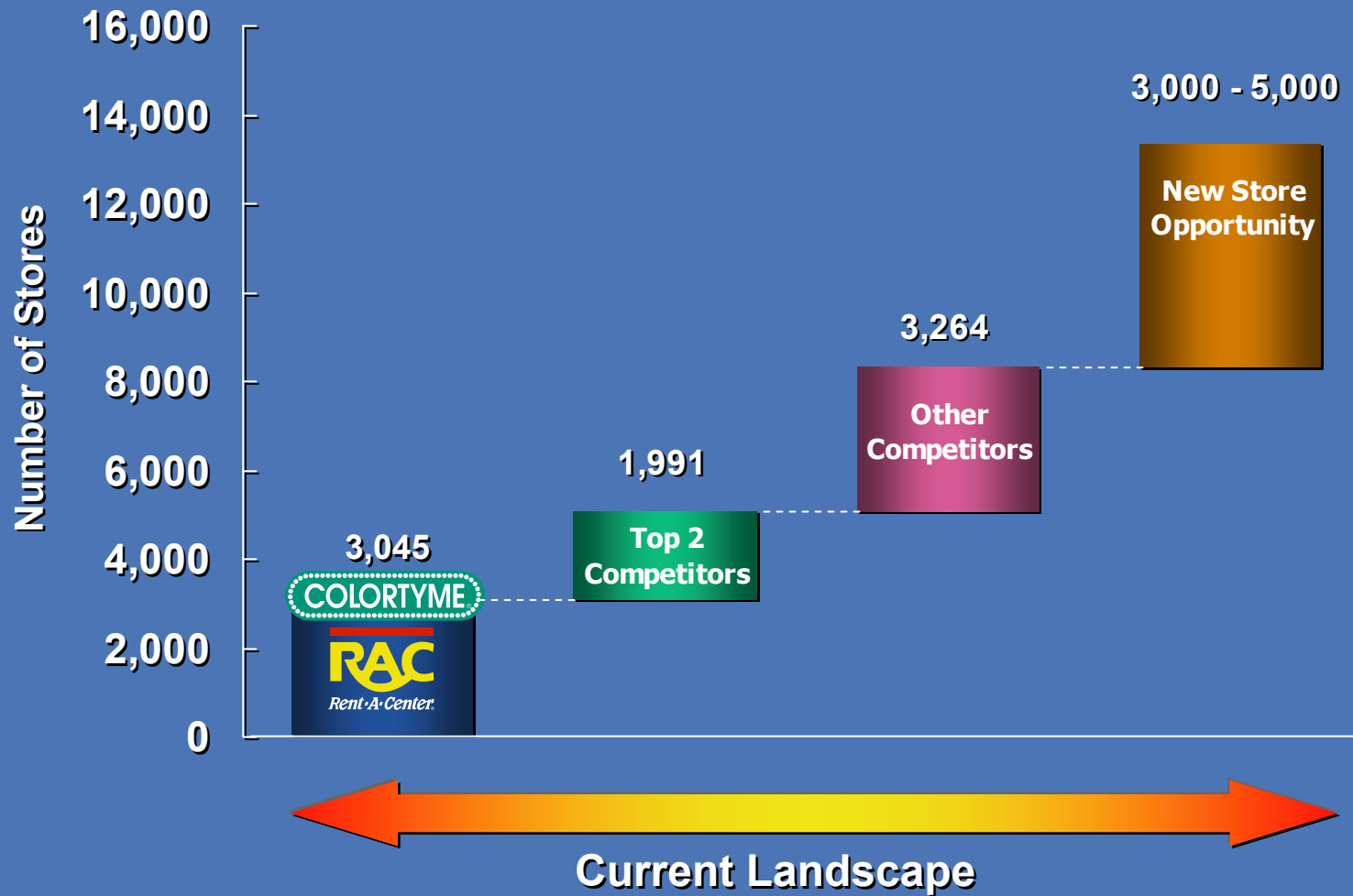
# Strong New Store Economics

- 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<sup>(1)</sup></b>	(\$50,000)	\$110,000	\$140,000	\$160,000
<b>EBITDA Margin<sup>(1)</sup></b>	(12%)	16%	19%	20%

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

# Domestic Market Opportunity



# Enhance National Brand

The Rent-A-Center  
**PICTURE  
YOUR NEW  
BEDROOM  
MAKEOVER**  
Imagina Tu Nuevo Juego De Cuarto Al Estilo Rent-A-Center

**Picture The Savings!**  
**\$50 OFF** Any New Bedroom Set\*  
Imagina Los Ahorros! \$50 De Descuento En Un Nuevo Juego De Cuarto\*

**Makeover deals  
for every room!**  
Look inside for details  
Ofertas para mejorar cada habitación.  
Busca los detalles adentro.

PROFESSIONAL FURNITURE INC.

TOSHIBA

YAMAHA

LG



- National and spot media
- Loyalty program
- Strategic business relationships

# Financial Services – Business Rationale

## ■ Financial Services Industry

- High growth – analyst estimate of double digit growth
- Fragmented – similar to rent-to-own 25 years ago
- Customer within RAC's national footprint

## ■ RAC's Strengths

- Developing relationships with customers
- Leveraging our real estate
- Operating cash flow to support growth
- Legislative expertise

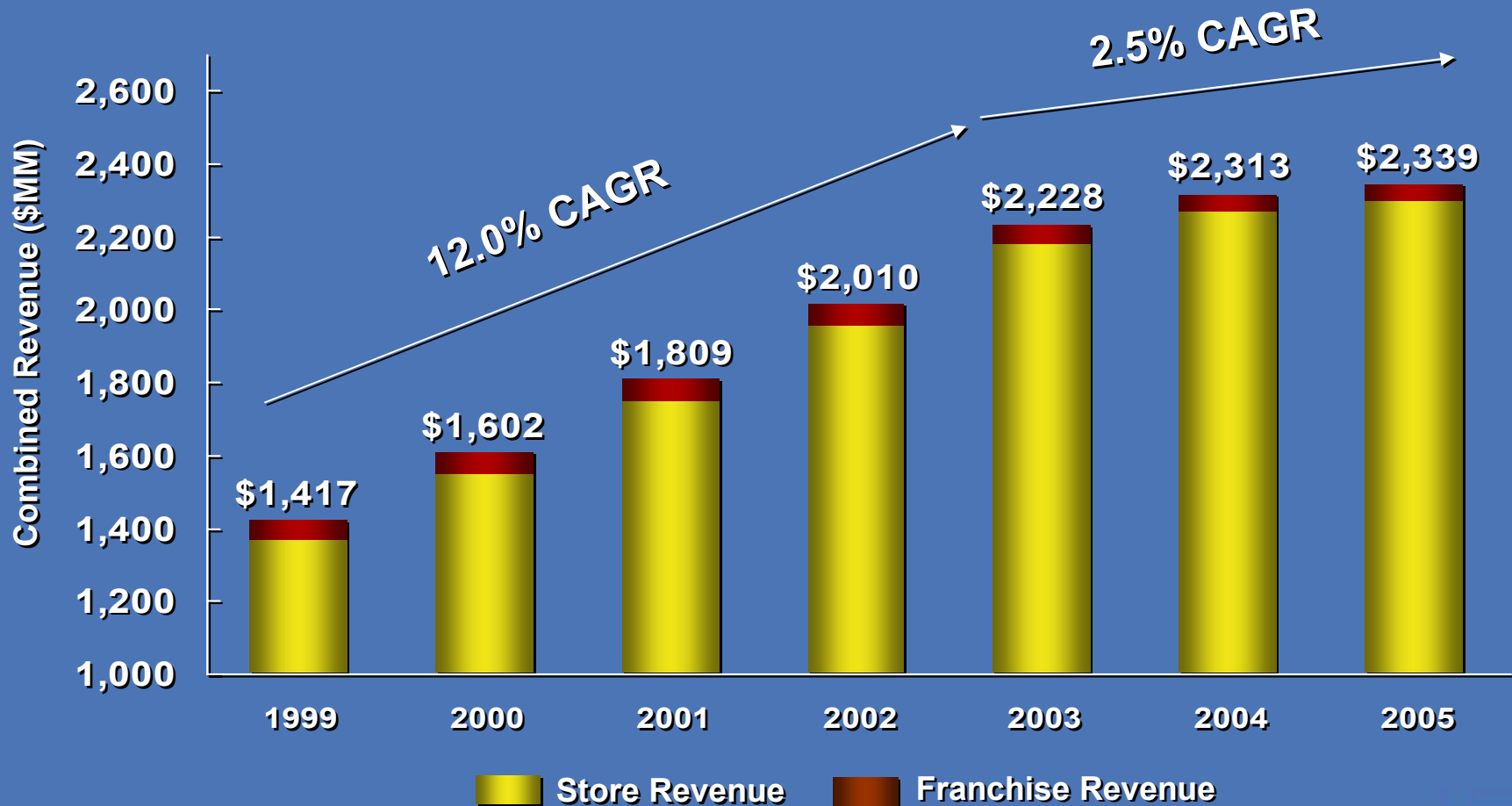
# Financial Services – Measured Approach Implementation

- Acquired 27 stores from ColorTyme franchisee that offered financial services
  - Easy, relatively inexpensive way to get into industry
  - Use as a platform to offer services in RAC stores
- Product offerings – primarily include payday lending, check cashing, money transfer, and bill payment
- Focusing on states that have enabling legislation
- Offer in RAC stores that fit the demographic profile or have real estate available – “in store” and “box in box” models
- Fine-tuning processes
  - Approval and collection
  - Cash control and cash management
  - Measure and manage losses
- Build scale
  - Technology
  - Infrastructure
  - Management

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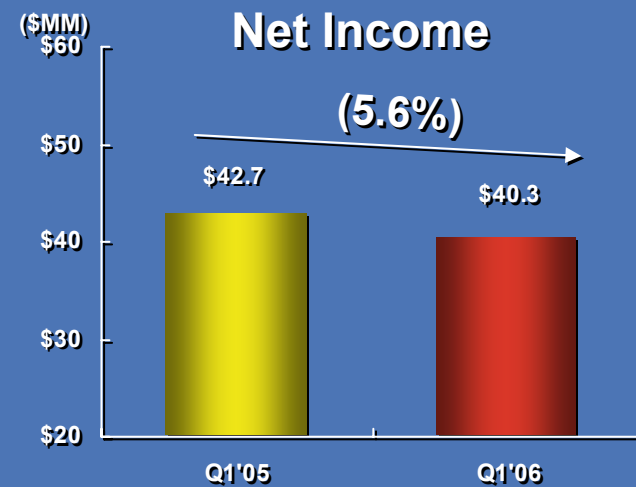
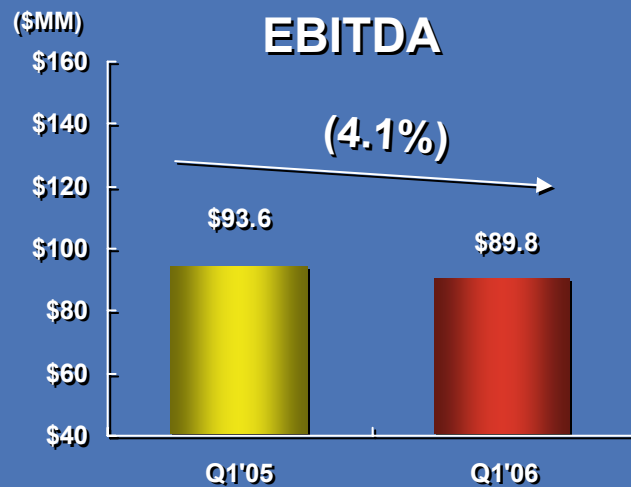
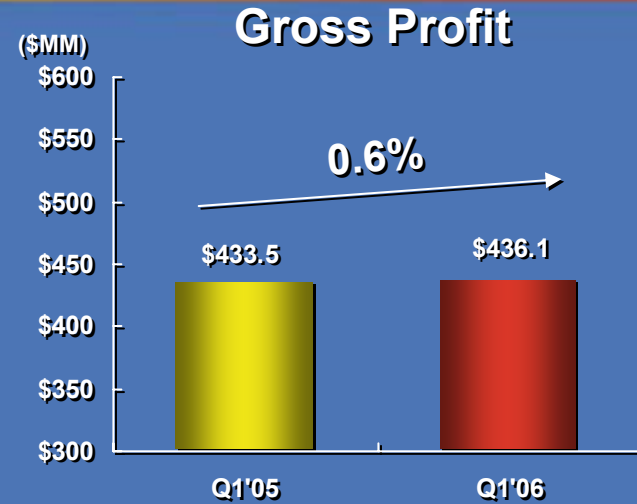
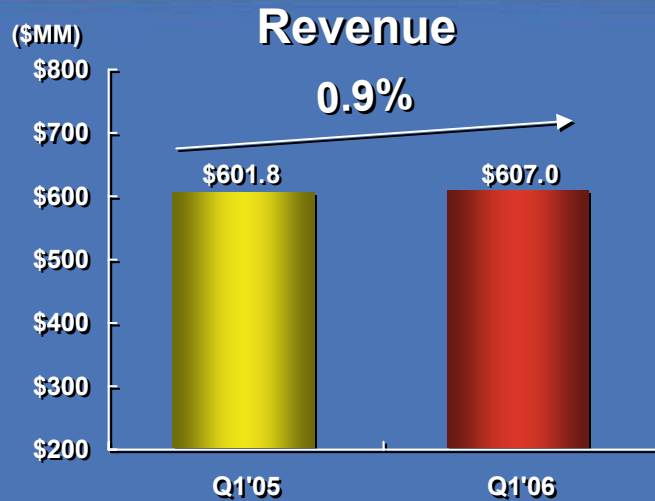
# **Financial Overview**

# Transitioning to Mature Sales Growth in Rent-to-Own





# Q1'06 Review



EBITDA Margin	Q1'05	Q1'06
	15.6%	14.8%

Net Income Margin	Q1'05	Q1'06
	7.1%	6.6%

Q1'05 excludes the effects of an \$8.0 million pre-tax credit associated with the litigation reversion.

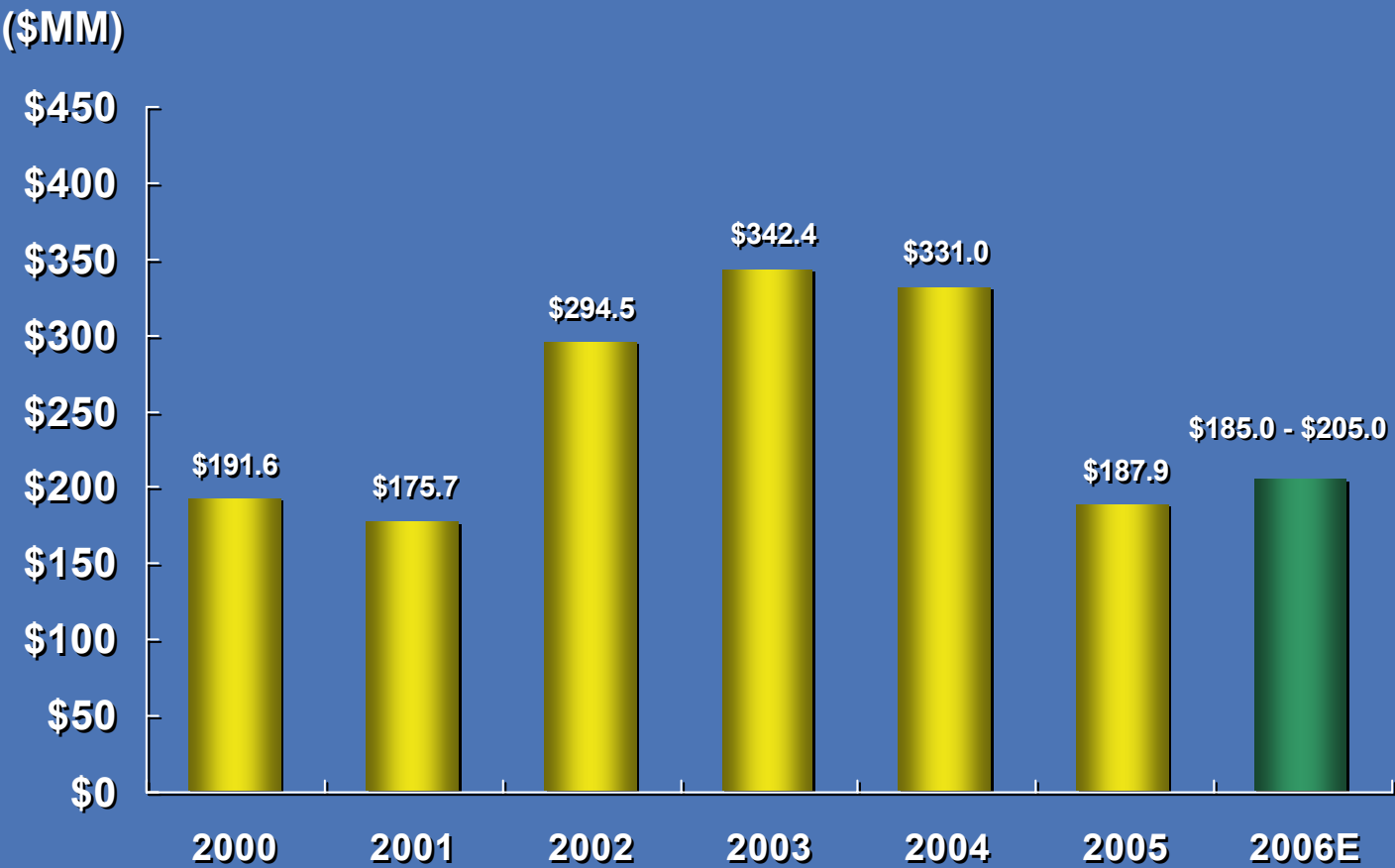
# Current Capital Structure

<i>(in millions of dollars)</i>	Mar 31 2005	% of Book Capital	Mar 31 2006	% of Book Capital
Cash & Equivalents	\$75.2	N/A	\$45.9	N/A
Senior Credit Facilities	347.4	23.2%	367.6	24.0%
Subordinated Notes	300.0	20.1%	300.0	19.5%
Total Debt	647.4	43.3%	667.6	43.5%
Shareholder's Equity	846.8	56.7%	867.1	56.5%
Total Capitalization	\$1,494.2	100.0%	\$1534.7	100.0%

Consolidated Leverage Ratio 2.22x (Q1'06)

Consolidated Interest Coverage Ratio 5.99x (Q1'06)

# Operating Cash Flow



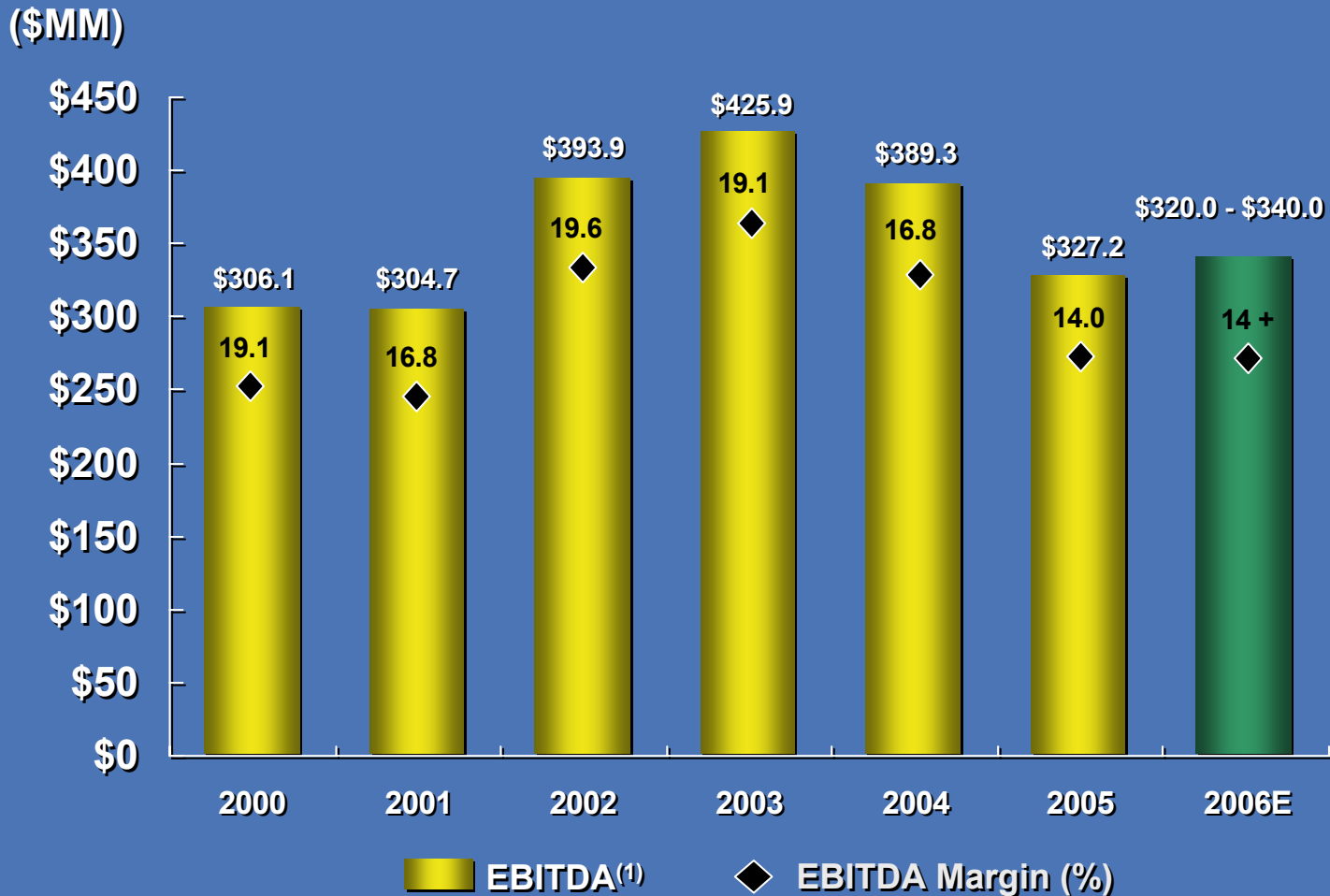
# Schedule of Free Cash Flow

## 2006 Estimate (\$ MM)

EBITDA	\$320 - \$340
Net Cash Interest	(\$45)
CapEx	(\$80)
Working Capital	(\$30)
Taxes	(\$60)
Free Cash Flow	\$105 - \$125

**Free Cash Flow Yield of Approximately 7%**

# EBITDA and EBITDA Margin



Notes: (1) Excludes nonrecurring charges and credits

# Guidance (per April 24, 2006 press release)

<u>QUARTERLY</u>	<u>Q2'05A</u>	<u>Q2'06P</u>
Total Revenue	\$580.6 MM	\$578.0-\$586.0 MM
Diluted EPS	\$0.52 <sup>(1)</sup>	\$0.50 - \$0.54

<u>ANNUAL</u>	<u>2005A</u>	<u>2006P</u>
Total Revenue	\$2.34 BN	\$2.34-\$2.37 BN
Diluted EPS	\$1.91 <sup>(2)</sup>	\$2.00-\$2.10 <sup>(3)</sup>

(1) Excludes the effects of a \$2.0 million in tax audit reserve credit associated with the examination and favorable resolution of the Company's 1998 and 1999 federal tax returns. Excluding this credit decreased diluted earnings per share in the second quarter 2005 by \$0.03.

(2) Excludes the effects of a \$15.2 million pre-tax restructuring expense as part of the store consolidation plan announced September 6, 2005; \$8.9 million in pre-tax expenses related to the damage caused by Hurricanes Katrina, Rita, and Wilma; a \$3.7 million state tax reserve credit for a reserve adjustment; a \$2.0 million tax audit reserve credit associated with the examination and favorable resolution of the Company's 1998 and 1999 federal tax returns; and an \$8.0 million pre-tax credit associated with the Griego/Carrillo litigation reversion. Excluding these expenses and credits increased diluted earnings per share for the twelve month period ending December 31, 2005 by \$0.08.

(3) Includes stock option expense of \$0.06.

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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 Company’s ability to open new rent-to-own 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 Company’s ability to identify and successfully market products and services that appeal to the Company’s customer demographic; the Company’s ability to identify and successfully enter into new lines of business offering products and services that appeal to the Company’s customer demographic, including the Company’s financial services products; the results of the Company’s litigation; the passage of legislation adversely affecting the rent-to-own or financial services industries; interest rates; the Company’s ability to enter into new and collect on the Company’s rental purchase agreements; the Company’s ability to enter into new and collect on the Company’s short term loans; economic pressures affecting the disposable income available to the Company’s targeted consumers, such as high fuel and utility costs; 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; changes in the Company’s stock price and the number of shares of common stock that we may or may not repurchase; and other risks detailed from time to time in the Company’s SEC reports, including but not limited to, the Company’s annual report on Form 10-K for the year ended December 31, 2005. 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.*