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# RAC

*Rent·A·Center®*

*Investor Presentation  
First Quarter 2007*

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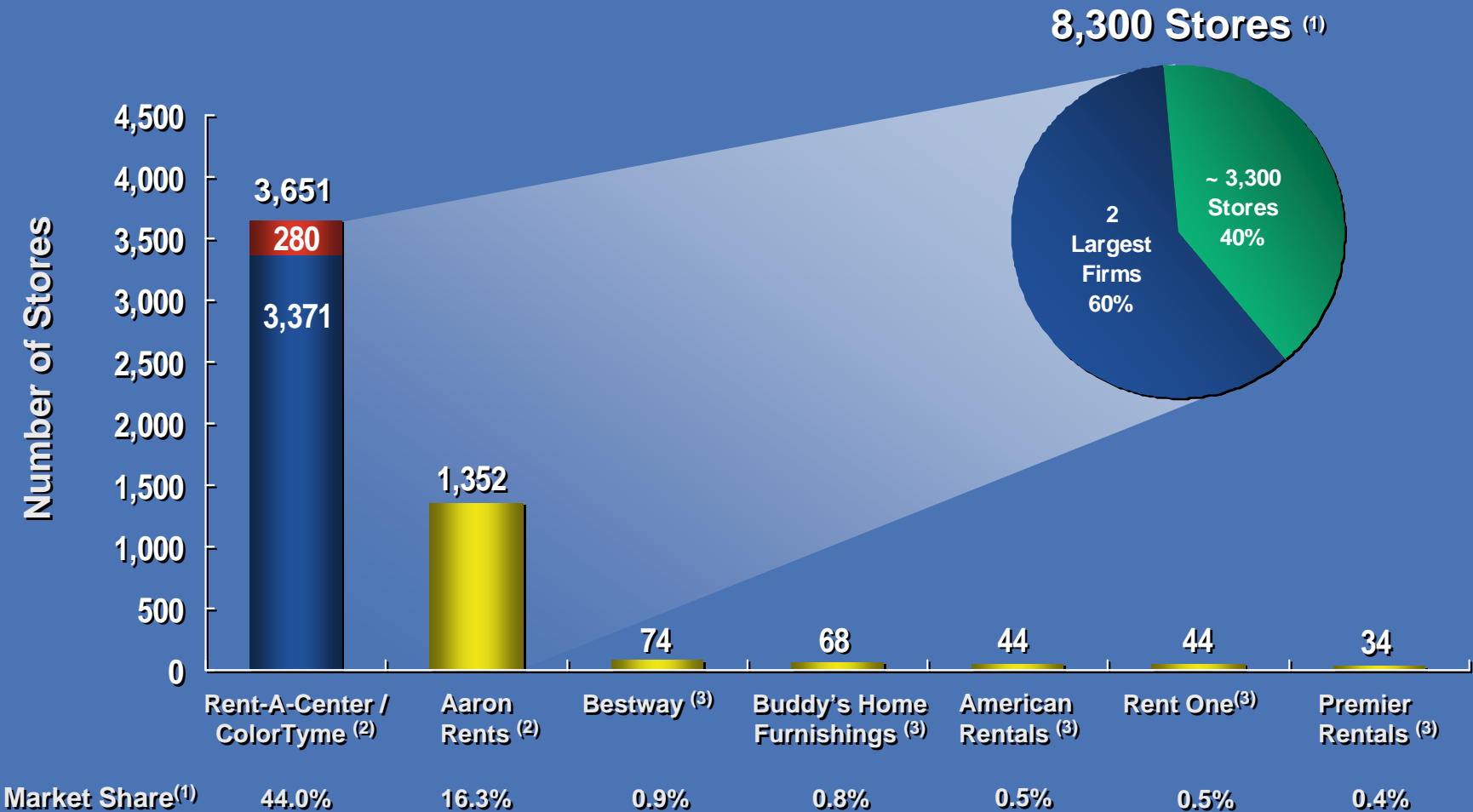
# Key Investment Rationale

- 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 execution in our core rent-to-own business and recent RentWay acquisition
- 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.
  - 41% market share based on 3,371 domestic stores in all 50 states as of March 31, 2007
  - ColorTyme subsidiary represents an additional 3% market share
- Broad selection of high quality, brand-name merchandise through flexible rental agreements
- Primarily serves the “underbanked” consumer
- Favorable legislation – currently 47 states, the District of Columbia and Puerto Rico have legislation regulating rental purchase transactions
- Generated \$2.58 billion in LTM revenue and \$385.0 million in LTM adjusted EBITDA as of March 31, 2007

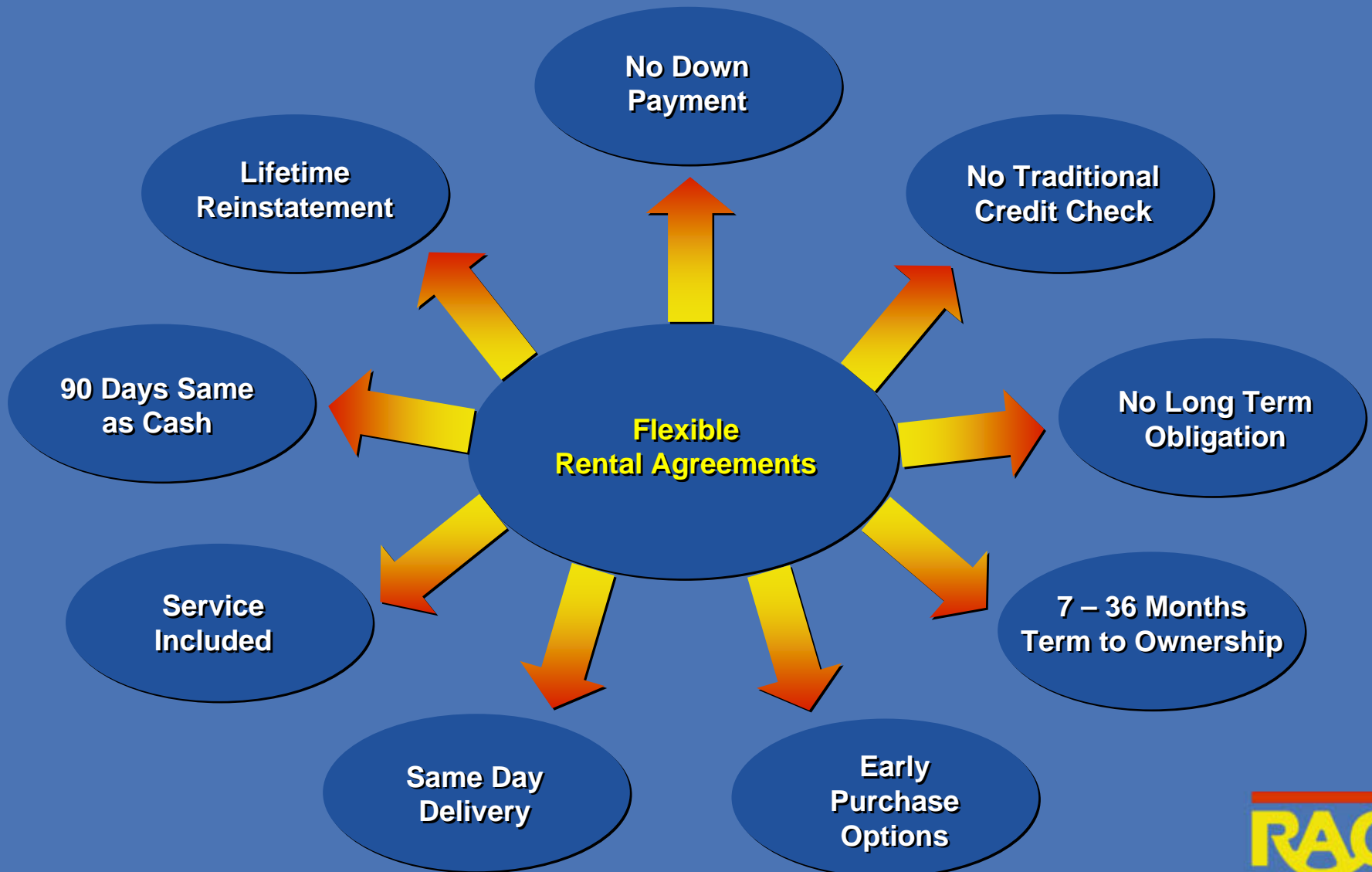
# Leading Player in Fragmented Marketplace



- Notes: (1) Based on Association of Progressive Rental Organization (APRO) estimates in 2006 Industry Survey (based on 2005 results) of 8,300 total stores  
 (2) Company data as of March 31, 2007  
 (3) Company website estimates as of April 26, 2007



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

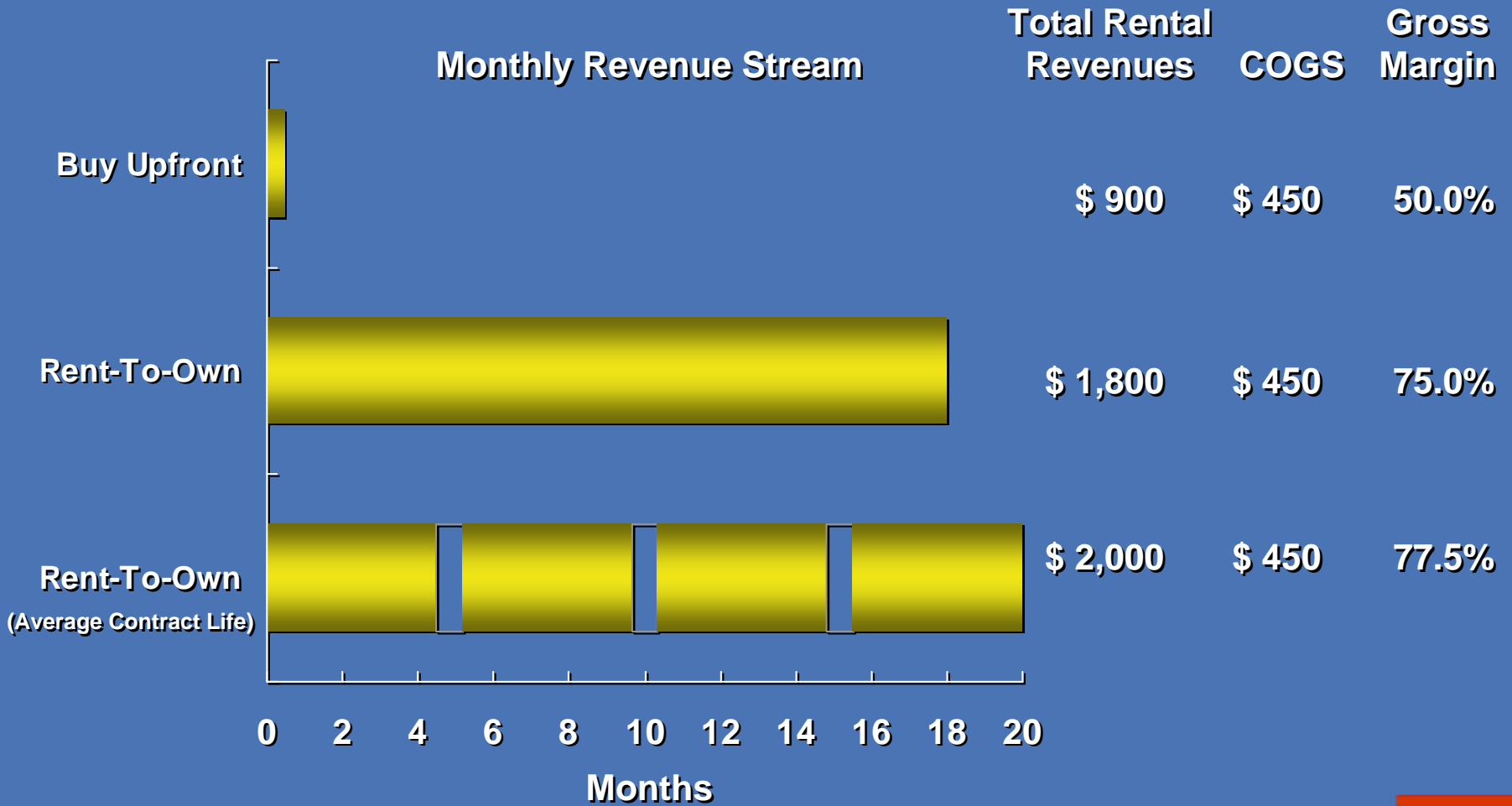


# ...Serving the “Underbanked Working Family” ...

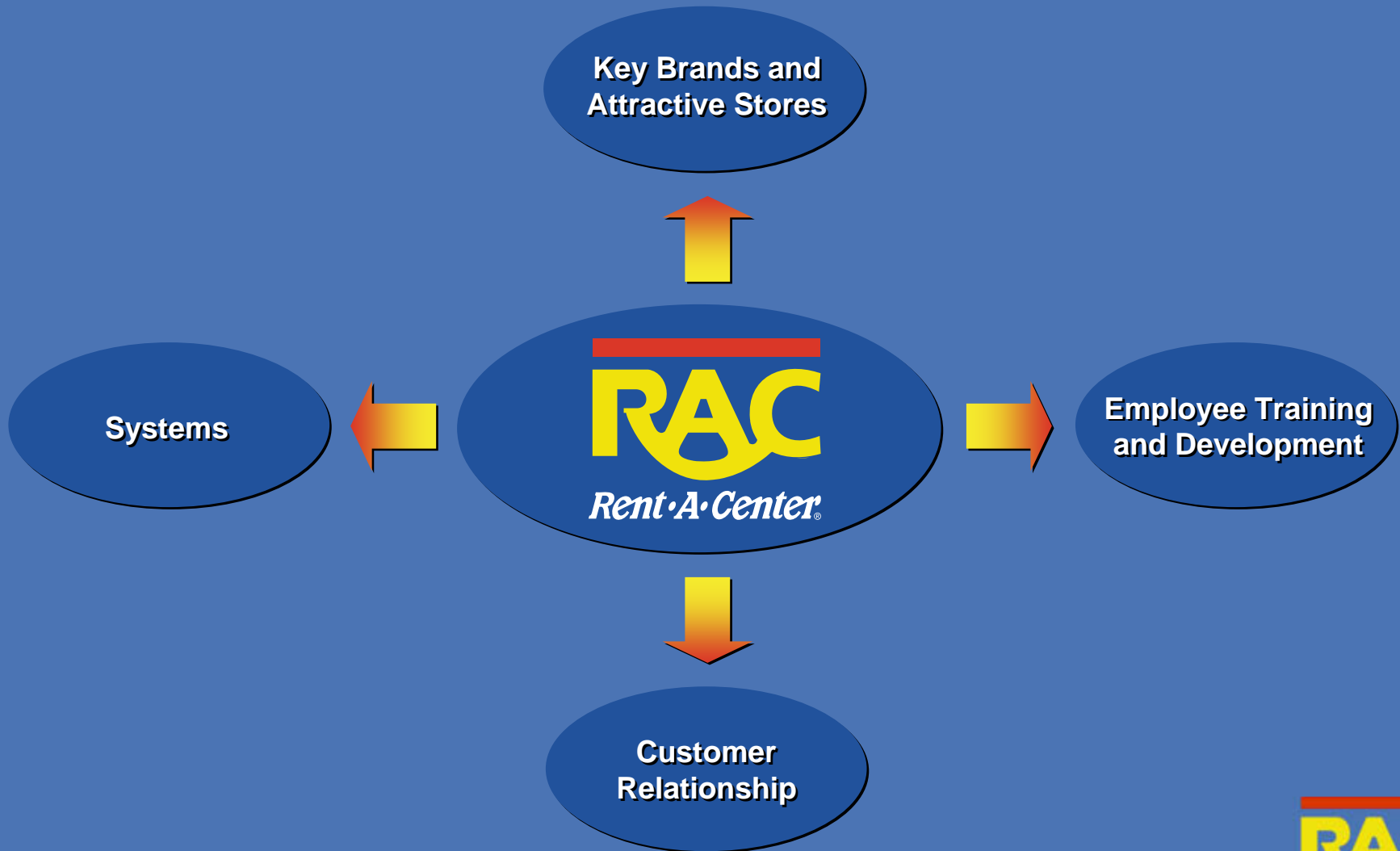
- 75% of customers in the industry have household incomes between \$15,000 and \$50,000<sup>(1)</sup>
- 45 million households with household incomes between \$15,000 and \$50,000<sup>(2)</sup>
- Industry is serving only 2.8 million of these households<sup>(3)</sup>
- Great market opportunity
  - Domestic market opportunity of 3,000 – 5,000 additional stores
  - Rent-A-Center potential of approximately 4,000+ total stores

Note: (1) America's Research Group, August 2004  
(2) U.S. Census Bureau - 2001  
(3) APRO 2006 Industry Survey (based on 2005 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

**Furniture**  
37% of Rental Revenue



**Electronics**  
33% of Rental Revenue

**SONY**<sup>®</sup>

**MAGNAVOX**

**PHILIPS**

**TOSHIBA**

zenith 

 **mitsubishi**

**Appliances**  
16% of Rental Revenue



**Computers**  
14% of Rental Revenue



**COMPAQ**

**DELL**<sup>™</sup>

**TOSHIBA**

Actual data for the twelve months ended March 31, 2007

# Experienced Management Team

- Senior management team is the most experienced in RTO industry
  - CEO Mark Speese has over 28 years of RTO experience
  - President Mitch Fadel has over 24 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 in both our core and acquired Rent-Way stores
  - 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
- De-lever balance sheet

# Acquired Rent-Way stores

- Integration is essentially complete
- What is left?
  - Signage on less than 20 stores
  - Selling Rent-Way headquarters
- Of 782 stores acquired, 155 were consolidated and 1 sold
- Now, a matter of execution by working to enhance their operations with a 3 year objective of growing their revenue and profitability to 90% of a typical Rent-A-Center store that generates approximately:
  - \$70,000/month in revenue
  - 20%+ store operating income (before overhead)

# 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



# 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 ongoing and lasting relationships with customers
  - Leveraging our real estate
  - Operating cash flow to support growth
  - Legislative expertise

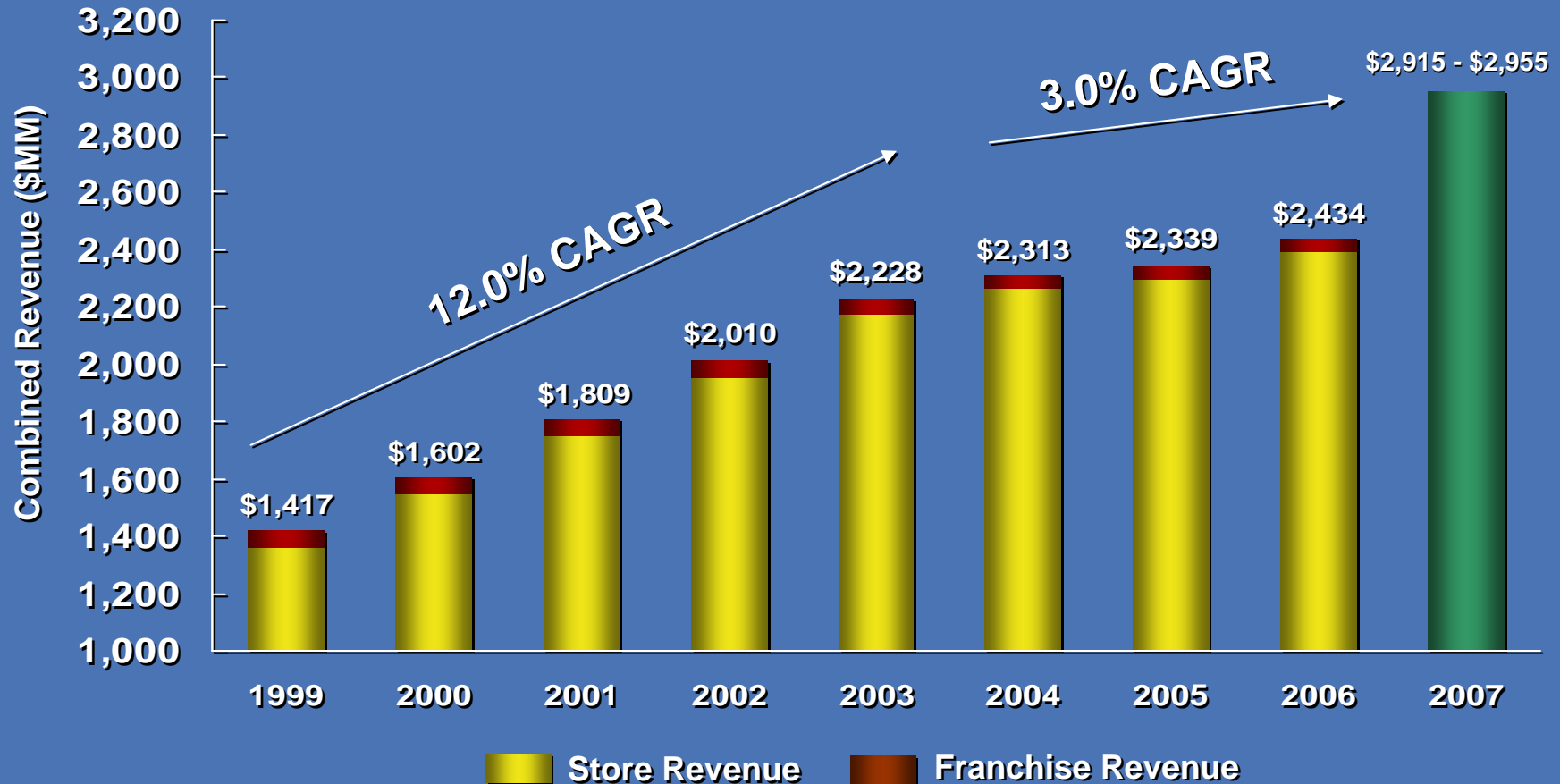
# Financial Services – Measured Approach Implementation

- 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
- Continue to fine-tune processes
  - Approval and collection
  - Cash control and cash management
  - Measure and manage losses
- Build scale
  - Technology
  - Infrastructure
  - Management

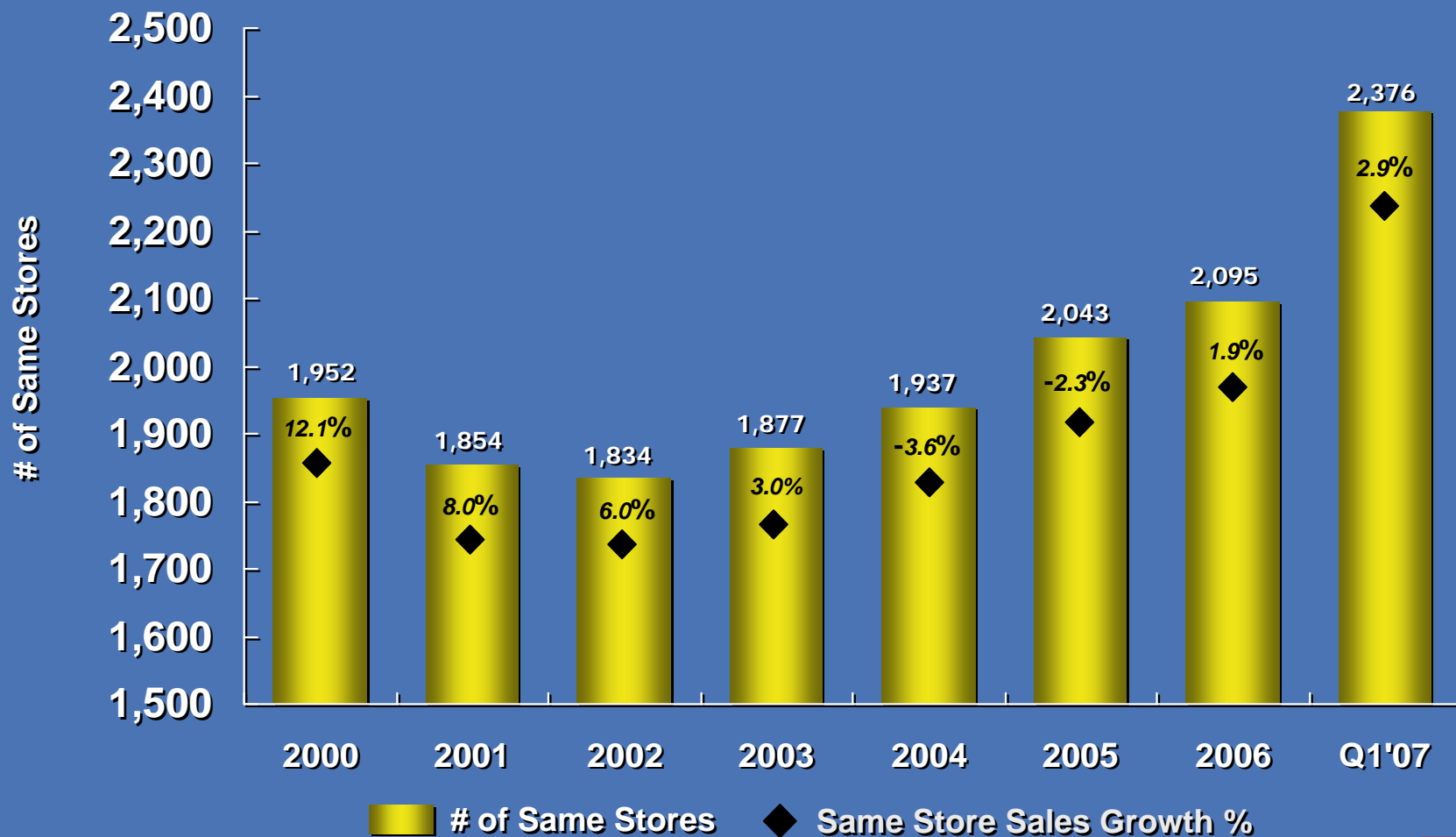


# Financial Overview

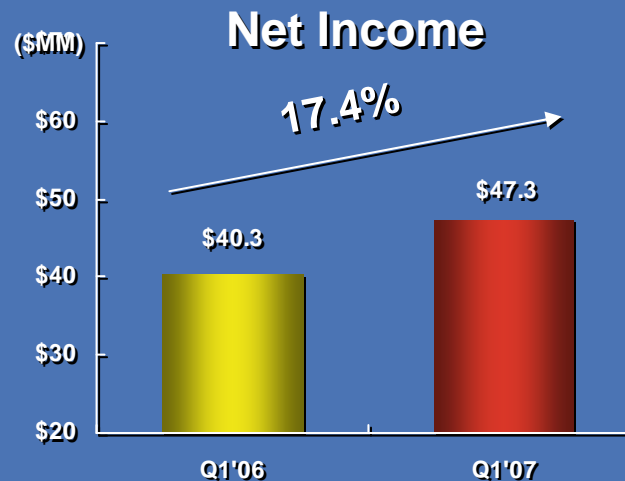
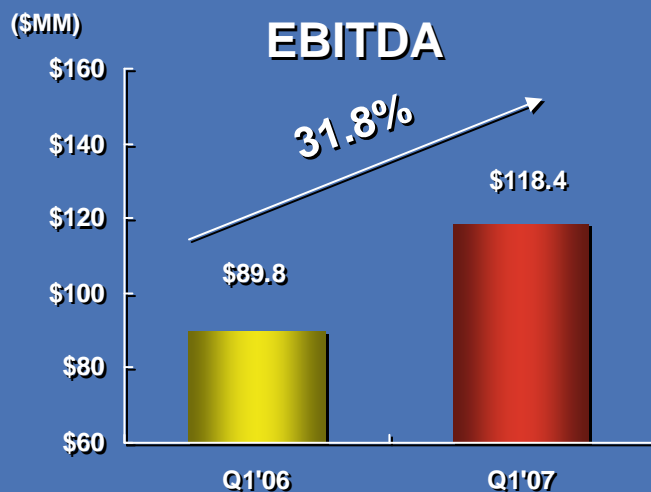
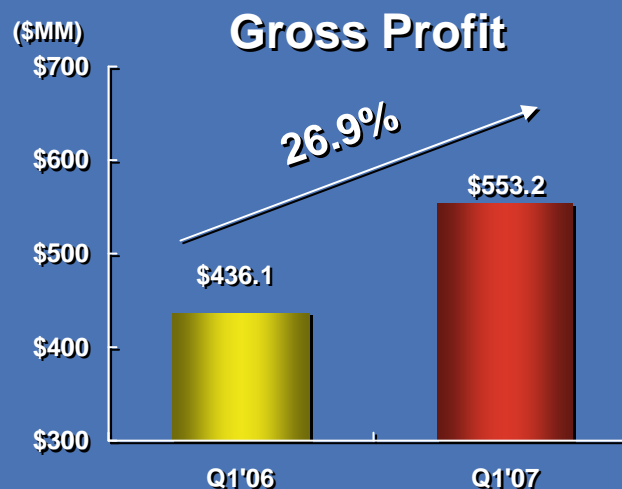
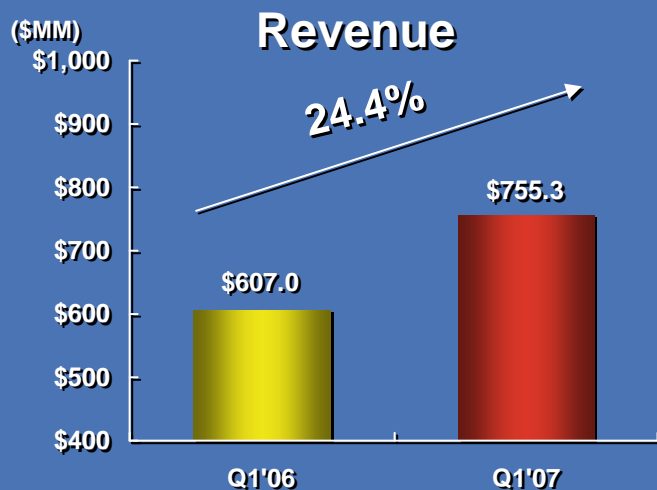
# Mature Sales Growth in Core Rent-to-Own



# Same Store Sales Growth



# Q1'07 Review



**EBITDA  
Margin**

14.8%

15.7%

**Net Income  
Margin**

6.6%

6.3%

Q1'07 excludes the effects of a \$51.3 million pre-tax litigation expense associated with the prospective settlement in the *Perez* case.

# Current Capital Structure

<i>(in millions of dollars)</i>	Mar 31 2006	% of Book Capital	Mar 31 2007	% of Book Capital
Cash & Equivalents	\$45.9	N/A	\$80.1	N/A
Senior Credit Facilities	367.6	24.0%	916.2	42.0%
Subordinated Notes	300.0	19.5%	300.0	13.8%
Total Debt	667.6	43.5%	1,216.2	55.8%
Shareholder's Equity	867.1	56.5%	962.9	44.2%
Total Capitalization	\$1,534.7	100.0%	\$2,179.1	100.0%

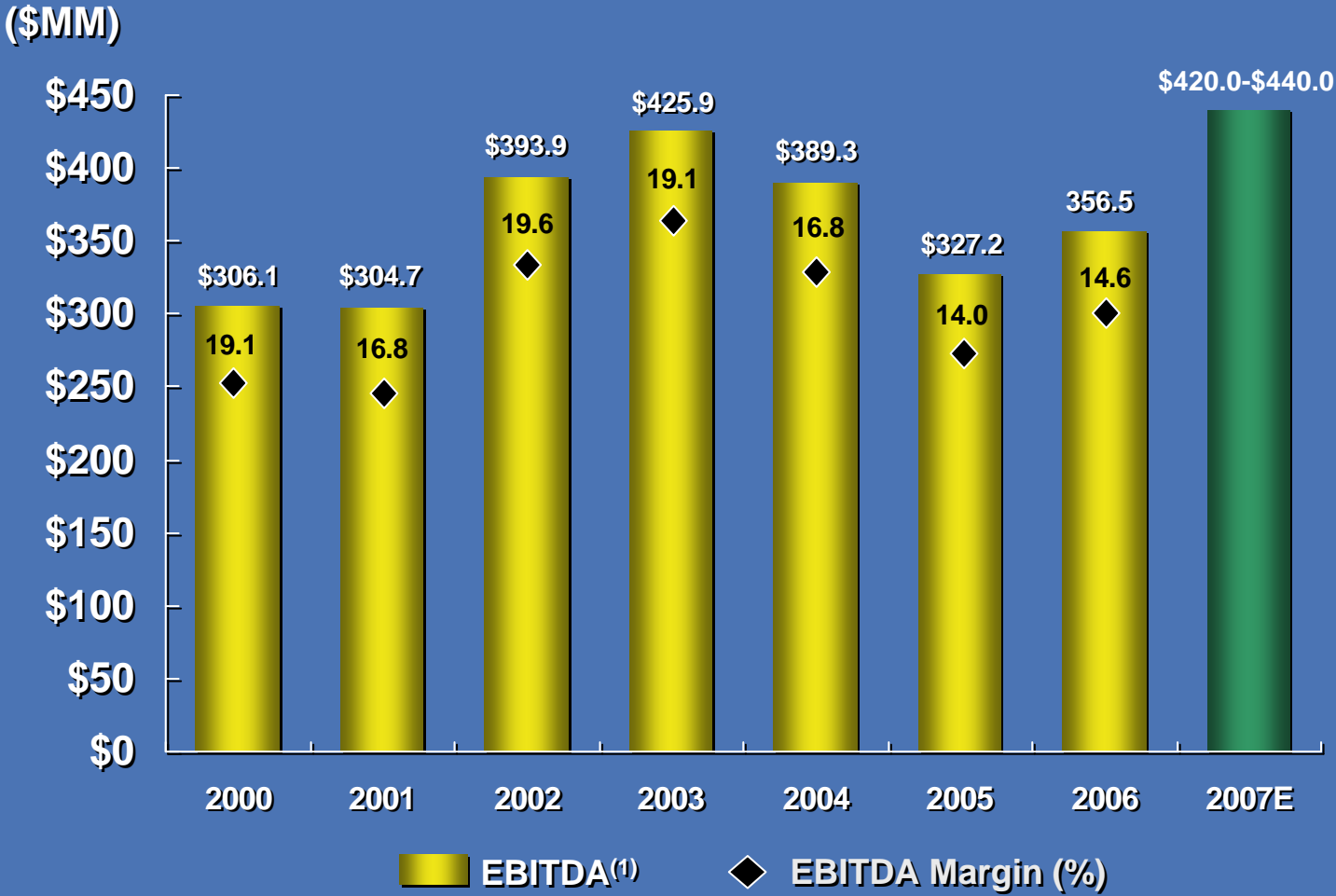
Consolidated Leverage Ratio 2.82x (Q1'07)

Consolidated Interest Coverage Ratio 5.61x (Q1'07)

# Operating Cash Flow



# EBITDA and EBITDA Margin



Notes: (1) Excludes nonrecurring charges and credits



# Schedule of Free Cash Flow

## 2007 Estimate (\$ MM)

EBITDA	\$420 - \$440
Net Cash Interest	(\$85)
CapEx	(\$75)
Working Capital	(\$60)
Taxes	(\$65)
Free Cash Flow	\$135 - \$155



# Guidance (per April 30, 2007 press release)

## QUARTERLY

## Q2'06A

## Q2'07P

Total Revenue

\$583.6 MM

\$719.0-\$734.0 MM

Diluted EPS

\$0.56

\$0.57 - \$0.63

## ANNUAL

## 2006A

## 2007P

Total Revenue

\$2.434 BN

\$2.915-\$2.955 BN

Diluted EPS

\$2.15 <sup>(1)</sup>

\$2.24-\$2.32 <sup>(2)</sup>

(1) Excludes the effects of a \$58.0 million pre-tax litigation expense associated with the *Perez* case; a \$4.95 million pre-tax expense associated with the settlement of the *Burdusis/French/Corso* litigation; a \$4.8 million pre-tax expense for the refinancing of the Company's senior credit facility; a \$10.4 million pre-tax expense associated with the settlement with the California Attorney General. Excluding these expenses increased diluted earnings per share by approximately \$0.69 for the twelve month period ended December 31, 2006.

(2) Excludes the effects of a \$51.3 million pre-tax litigation expense in the first quarter of 2007 associated with the prospective settlement in the *Perez* case. Excluding this expense increased diluted earnings per share by \$0.45 in the first quarter of 2007.

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# Safe Harbor Statement

*This press release 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 rent-to-own stores; the Company’s ability to acquire additional rent-to-own stores on favorable terms; 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, including the Rent-Way stores recently acquired; the Company’s ability to control store level 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; interest rates; 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 stock price and the number of shares of common stock that it may or may not repurchase; changes in the Company’s debt ratings; 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; the negotiation of the definitive settlement documentation with respect to the prospective settlement of the Perez case; the court hearing the Perez case could refuse to approve the settlement or could require changes to the settlement that are unacceptable to the Company or the plaintiffs; one or more parties filing an objection to the prospective settlement of the Perez case; and the other risks detailed from time to time in our SEC reports, including but not limited to, the Company’s annual report on Form 10-K for the year ended December 31, 2006. 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.*