FINAL TRANSCRIPT

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PRESENTATION

Operator

Welcome to Rent-A-Center's third quarter 2011 earnings release conference call. At this time all participants are in a listen-only mode. Following today's presentation we will conduct a question-and-answer session. (Operator Instructions) As a reminder, this conference is being recorded, Tuesday, October 25, 2011.

Your speakers today are Mr. Mark Speese, Chairman and Chief Executive Officer of Rent-A-Center; Mr. Mitch Fadel, President and Chief Operating Officer; Mr. Robert Davis, Chief Financial Officer; and Mr. David Carpenter, Vice President of Investor Relations. I would now like to turn the conference over to Mr. Carpenter. Please go ahead, sir.

David Carpenter - *Rent A Center Inc - VP of IR*

Thank you, Mike. Good morning, everyone, and thank you for joining us. You should have received a copy of the earnings release distributed after the market closed yesterday, that outlines our operational and financial results that were made in the third quarter. If for some reason you did not receive a copy of the release, you can download it from our website at investor.rentacenter.com. In addition, certain financial and fiscal information that will be discussed during the conference call will also be provided on the same website.

Also, in accordance with SEC rules concerning non-GAAP financial measures, reconciliation of EBITDA is provided in our earnings press release under the statement of earnings highlights. Finally, I must remind you that some of the statements made in this call, such as forecasts, growth, and revenues, earnings, operating margins, cash flow and profitability, and other business or trend information, are forward-looking statements. These matters are, of course, subject to many factors that could cause actual results to differ materially from our expectations reflected in the forward-looking statements. These factors are described in the earnings release issued yesterday, as well as our most recent quarterly report on form 10-Q for the quarter ended June 30, 2011. Rent-A-Center undertakes no obligation to publicly update or revise any forward-looking statements.

I'd now like to turn the conference call over to Mark. Mark?

Mark Speese - *Rent A Center Inc - CEO, Chairman*

Thank you David. Good morning, everyone, and thank you for joining us for our third-quarter report. Suffice it to say, I'm quite pleased with our overall results. As both our top and bottom line results were at the high end of our expectations, and our same-store sales exceeded expectations. The demand for our products and services in our core rent-to-own business remained strong in the quarter, with the core business contributing half of our total count. And our growth initiatives continue to perform well. In fact, only 95 of the RAC Acceptance stores are in the comp, and they contributed the other half. All despite the challenging environment that we remain in.

I believe we placed ourself in a very good position, as we enter the fourth quarter and prepare for 2012. We are also pleased to again return value to the shareholders, but the repurchase of approximate 2.9 million shares in the quarter, as well as declare our sixth consecutive quarterly cash dividend. As noted in the press release, our 2012 financial guidance -- and while Robert is going to go into more detail, I'm pleased to say, that our 2012 total revenue growth is expected to be in the 8% to 11% range, and our current EPS guidance equates to a growth of approximately 8% to 15%. That also includes approximately $0.20 per share dilution from our international growth initiatives, Mexico and Canada.

You will recall at our Investor Day nearly one year ago, we communicated a strategic plan that included a continued focus on keeping the core business strong and at the same time, extending our reach both domestically, mainly from RAC Acceptance, and internationally, via Mexico and Canada. Again, I'm pleased to say that both the core and these growth initiatives continue to perform well. The operating results in both of those initiative cases, RAC Acceptance and International, reaffirm our belief about the long-term potential of both of those. Now in that regard, and as noted in the press release, we have discontinued the Home Choice Test with the closing of the eight stores in Illinois and the RAC Limited Grocery Test with the closing of 24 locations. The fact is, RAC Acceptance is the better Home Choice model, and this moves -- further aligns management and ensures focus on the key drivers of growth for the future.

Also during our Investor Day last year, we established financial targets from 2009 to 2014. The target for revenue growth was projected to be 4% to 6% CAGR and EBITDA was projected to be 6% to 7% CAGR. Through 2012, both of these metrics are expected to be within those target ranges. So, we feel very good, again, about our long-term strategies. Of course all the while, our cash flow has and is expected to remain strong, allowing us to continue executing on these plans. So, in summary, we are continuing on this strategic path laid out to you last November, and I believe that we are currently very well positioned to accomplish our 2012 objectives. I do want to thank our coworkers for their excellent performance in the quarter, and I look forward to their dedication to continue through the end of the year and into 2012.

With that, let me now turn the call over to Mitch to provide you some additional details from an operations standpoint. Mitch?

Mitchell Fadel - *Rent A Center Inc - President, COO*

Thanks Mark, good morning, everyone. As Mark mentioned, both our revenue and bottom-line results were at the high end of our expectation. Our Same Source sales came in at plus 2% and as you mentioned, our domestic rent-to-own business is up 1% on its own, and the RAC Acceptance impact, accounted for the other 1%. Overall, our business is strong. In fact, in terms of agreement gain, we had our best summer in 9 years. We believe the tight consumer credit market continues to drive customers our way, as an increasing number of consumers needing or wanting high-quality, brand-name merchandise are attracted to our value proposition. We continue to work closely with our merchandise suppliers in order to provide great values while providing the consumer all of the benefits included in our worry-free guarantee. We also believe that when things like consumer confidence, unemployment, and under-employment metrics become more positive, we will see additional demand for our products and services.

Our collections metrics remain solid with our weekly delinquency average coming in just slightly higher than last summer. While our losses in the domestic rent-to-own business were within our normal range at 2.7%. Inventory held for rent is in good shape with it accounting for just 21.4% of our entire inventory. Our centralized purchasing program continues to help drive positive results, and again, we are in really good shape going into the fourth quarter. In summary, customer demand is good, our inventory is in great shape, collections are solid, and we have a great plan for additional growth in all of our business initiatives. Finally, I would also like to think our 19,000 coworkers for their dedication, their passion and for their commitment. And with that, I will now turn the call over to Robert.

Robert Davis - *Rent A Center Inc - CFO*

Thank you Mitch. I'm going to spend a few moments updating everyone on our financial highlights during the quarter and provide guidance for the fourth quarter 2011 and then go into some detail around our initial guidance for 2012. After that we will open the call for questions. I would like to mention that much of the information I do provide, whether it's historical results or forecasted results, will be presented on a recurring and comparable basis.

As outlined in the press release issued last night,, total revenues were $704.3 million during the third quarter of 2011. An increase of nearly $40 million or approximately 6%, as compared to the third quarter of last year. This increase was primarily the result of an increase in revenue from our RAC Acceptance initiative, offset by a reduction in revenue that resulted from the divestiture of our financial services business. This revenue increase help drive our positive same-store sales comp up 2%, as compared to our guidance of between 0.5% and 1.5%. As Mark and Mitch both mentioned about half of that comp was from the core business and half from RAC Acceptance.

Net earnings were $36 million during the quarter, while diluted earnings per share equated to $0.60 which includes approximately $0.07 in dilution from our growth initiatives in the quarter. Our third-quarter EBITDA came in $82.8 million, which equated to a margin of 11.7% in the period. Cash flow generation remained strong with our operating cash flow for the quarter in excess of $95 million and now rests at approximately $267 million year-to-date through September 30. Since the end of the prior year, we have repurchased approximately 5.9 million shares of our common stock for roughly $164 million, made dividend payments in excess of $7 million and have reduced our outstanding indebtedness by approximately $13 million primarily related to mandatory amortization payments, while ending the period with over $76 million in cash on hand. At quarter-end, our leverage ratio was 1.66% times, well below the floor on our covenant requirements of 3.25% turns.

We continue to believe our balance sheet is in great shape, and we intend to continue to utilize our cash prudently. Wet we will continue to return value to shareholders through investing in future profitable growth initiatives such as RAC Acceptance and our International expansion, future dividends and opportunistic share repurchases. Turning to guidance for a moment, for the fourth quarter, we anticipate revenues to range between $739 million and $754 million. With same-store sales expected to range between a positive 3% and 5%. As for diluted earnings per share we are guiding the fourth quarter to a range between $0.78 and $0.84. That guidance also includes dilution from our initiatives about $0.05 primarily -- well, all expected to come

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from the International Division expansion, as RAC Acceptance in total will turn net positive contribution in the fourth quarter. But $0.05 solution in the fourth quarter, and our guidance is all International expansion.

With this release, we are now initiating our 2012 guidance. As such, we currently expect total revenues to exceed $3 billion for the first time in our history and fall within a range of $3.128 billion and $3.198 billion, a projected increase of between 8% and 11%. With this projected increase in the top line, we expect our same-store sales for 2012 to range between a positive 3.5% and a positive 5.5%. Overall, diluted earnings per share for 2012 are expected to be in the range of $3.10 and $3.30. The projected increase of between 8% and 15%. And this does include an approximate 20% drag related to our International growth initiatives. As RAC Acceptance overall will be a positive contributor next year, even though we continue to expand 200 stores in 2012 in RAC Acceptance.

As a result of this drag, both our operating and EBITDA margins are expected to remain flat year-over-year, while we continue to invest for growth and for the long term. In terms of EBITDA and free cash flow, the company expects EBITDA to range between $420 million and $440 million with free cash flow expected to be in the range of between $80 million and $100 million. As always, the current guidance excludes any potential benefits associated with potential stock repurchases, changes in our outstanding indebtedness, or acquisitions or dispositions completed after the date of this release.

One further note to share, is that the company currently intends to initiate segment reporting with the filing of our 2011 10-K next February. We believe this additional transparency will further help you to forecast to various our businesses and assist you in valuing our total enterprise. In the meantime, and with an additional 12 months of insight we have gained over the last year in respect to our initiatives since Investor Day, we have updated and posted the new store models associated with our various initiatives on our website. And as we gain further insight and learnings from these initiatives, we will continue to ensure that the latest information, with regards to our store models and expectations, are up to date for your consumption. With that update, we would now like to open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Your first question comes from the line of Bud Bugatch from Raymond James & Associates.

Budd Bugatch - *Raymond James & Associates - Analyst*

Good morning, everyone. Congratulations on the quarter. A couple of questions, if I could, and thank you for taking them. 1, to our model, gross margin was a bit of a drag. I suspect, but I'd like confirmation, that perhaps it had to do with the reduction of the Home Choice stores, and the elimination of those stores, or maybe discounting you had to do to close those stores, or maybe you can give us some color on that?

Robert Davis - *Rent A Center Inc - CFO*

Yes, Budd, I saw your note this morning, and the gross margin that you are seeing be slightly lower than it has been historically is primarily related -- all related -- to RAC Acceptance. As a reminder, RAC Acceptance has a lower gross margin than the core business, but ultimately it has a higher operating margin, just given the operating costs are so much lower in RAC Acceptance. So what you are seeing is a slight drag in the gross margin related to the ramp in RAC Acceptance; but again, the net margin in RAC Acceptance is ultimately higher. I had noted at the end of my opening comments, as we move towards segment reporting at the end of the year and going forward, you will be able to see that more transparently in the future.

Budd Bugatch - *Raymond James & Associates - Analyst*

That's very helpful. Are all the Home Choice stores closed -- RAC Limited stores closed?

Robert Davis - *Rent A Center Inc - CFO*

They are in the process of being closed, Budd. That will be done in the next 30 to 60 days.

Budd Bugatch - *Raymond James & Associates - Analyst*

Any financial impact on that?

Robert Davis - *Rent A Center Inc - CFO*

Only the charges related to the restructuring that was outlined in the press release.

Budd Bugatch - *Raymond James & Associates - Analyst*

Okay. Second question goes to the guidance. And I think in last quarter's guidance, the drag from International that you noticed in the fourth quarter was probably $0.01 to $0.02; and now, is it $0.05 now? Is that what I understand?

Robert Davis - *Rent A Center Inc - CFO*

Yes.

Budd Bugatch - *Raymond James & Associates - Analyst*

Is there a change that's caused that increase in drag?

Mark Speese - *Rent A Center Inc - CEO, Chairman*

There's a couple things going on there, as Robert said. This is really International. The biggest, as I said -- and this is Mark -- we have really reconfirmed our belief as we continue to see the results from all of these initiatives, but International in particular. And we are, in fact, now starting to gear up our in-country presence down there. And that's what's going to drive more of that dilution next year. The $0.20 -- most of that will come from Mexico. A portion of it will be attributable to Canada; but given our expected ramp up in Mexico, where we are today, we are moving forward to put an in-country headquarters, if you will, an office and support system; and some of that cost is going to be incurred in the fourth quarter. All of it will run through next year.

Budd Bugatch - *Raymond James & Associates - Analyst*

Got you, that's helpful. And finally, just a housekeeping question. I know you said you're going to increase the transparency with segments. Can you tell us what those segments will be?

Mark Speese - *Rent A Center Inc - CEO, Chairman*

I can, but just caution that it may change. We haven't finalized that, but essentially, the core business, Budd, will be 1 segment; the International initiatives together, Mexico and Canada will be a segment; and RAC Acceptance will be a segment. That's how we are looking at it currently. But that may change. I will just caution you.

Budd Bugatch - *Raymond James & Associates - Analyst*

I understand those are conversations you have to have with the auditors, but that would've been my hypothesis, so at least got that confirmed. Thank you, Robert. Thank you Mark. Thank you Mitch.

Mark Speese - *Rent A Center Inc - CEO, Chairman*

Thank you.

Operator

Your next question comes from the line of David Burtzlaff from Stephens.

David Burtzlaff - *Stephens Inc. - Analyst*

Good morning, guys, and a great quarter.

Mark Speese - *Rent A Center Inc - CEO, Chairman*

Thank you.

David Burtzlaff - *Stephens Inc. - Analyst*

Mark, thanks for the comments on -- that was 1 of my questions, was on the higher drag, especially given the new store economics. It looks like the Mexico stores have zero -- basically are flat for the first year or so. There wouldn't be, really, the drag from the stores, it is all from the offices?

Mark Speese - *Rent A Center Inc - CEO, Chairman*

That's essentially right. It is timing of when you open a store, obviously; because what you are looking at is the first year's 12 months. So depending on the timing of when those get open, But, yes.

David Burtzlaff - *Stephens Inc. - Analyst*

But, not enough to drive $0.20? Right, okay. The 200 RAC Acceptance locations, can you give an idea of where -- are those going to open? Are those more independent operators, or any change coming through?

Mark Speese - *Rent A Center Inc - CEO, Chairman*

David, it is a combination of those. The chains that we're already in, we've got more to finish. Some of the larger chains were not in every single store yet, so some of that growth is finishing up chains like Conn's and Rooms To Go and more Ashley stores; Value City, American Signature, some of the larger chains. So, it is filling in, plus regional, but that does not include any new major chains.

David Burtzlaff - *Stephens Inc. - Analyst*

Okay. And then, Robert, in the comp growth, how much of that comp is driven by RAC Acceptance? For next year?

Robert Davis - *Rent A Center Inc - CFO*

Yes, similar to the impact in this quarter, we are estimating that about half of the comp next year will be again from the core, and about half from RAC Acceptance.

David Burtzlaff - *Stephens Inc. - Analyst*

Okay. And then finally, your free cash flow of that $80 million to $100 million assumes the cash taxes, for next year?

Robert Davis - *Rent A Center Inc - CFO*

Yes, so obviously, we were benefiting in 2011 from essentially being a non-cash tax payer this year. Part of that benefited all timing, so our preferred taxes flipped next year, as we estimate at this point. Cash taxes are expected to be around $135 million in 2012. So, just to walk everyone through a reconciliation from EBITDA to free cash flow, 420 to 440 on EBITDA, net cash interest expense around $35 million, CapEx around $100 million, working capital $70 million, or inventory investment basically; and then cash tax is $135 million, which is about a $80 million to $100 million free cash flow. I think what is worth noting, as we've laid out in our Investor Day last November, is we expect on average, $200 million free cash flow over that 4- or 5-year period that we talked about last year. Obviously the benefit this year, and then the impact of next year, on average, it is going to equate to about $200 million in both those periods. Next year is a little bit lower, but this year we are getting the benefit.

David Burtzlaff - *Stephens Inc. - Analyst*

So, basically, you would still have maybe $50 million or so to buy stock back if you choose to do so next year?

Robert Davis - *Rent A Center Inc - CFO*

Right, after the dividends, correct.

David Burtzlaff - *Stephens Inc. - Analyst*

Right. Okay. Thank you very much.

Robert Davis - *Rent A Center Inc - CFO*

Thank you.

Operator

Your next question comes from the line of Brad Thomas from KeyBanc Capital Markets.

Unidentified Speaker - - *Analyst*

Hey guys, this is actually Jason sitting in for Brad today. My question is on the RAC Acceptance -- now that you have some of these that have been open for 5 quarters now, I was wondering if you could walk us through how they are beginning to perform in year 2; and also update how your return rate is on a lot of the lease merchandise?

Mark Speese - *Rent A Center Inc - CEO, Chairman*

The models, as Robert mentioned, Jason, we've updated them on our website, and those are based on current trends in the way the stores are operating. So, no surprises there. They are operating fine. But those models have our current trends. And we will continue to update those as the stores mature, and so forth. Returns are staying in line with the way they've been. There's very few returns. An easy number to get into our core domestic business of 3000 stores, taken those in, and that's staying very steady and low, and model seems to be working very well.

Unidentified Speaker - - *Analyst*

Great. Can you give us a breakdown of -- and I know you guys are in primarily furniture -- but you also have the Conn's -- breakdown of furniture to consumer electronics and appliances with the RAC Acceptance?

Mark Speese - *Rent A Center Inc - CEO, Chairman*

It is almost all furniture. I think we're probably less than 10% of our stores are in electronics. With Conn's, Conn's has a total of 80 stores. We are not in every single one. I think we are in 60 or something like that, so out of 700, only 8% or 9% is in electronics. In that 10% range in electronics, 90% furniture is at this point.

Unidentified Speaker - - *Analyst*

That's all I have, thanks.

Mark Speese - *Rent A Center Inc - CEO, Chairman*

Thanks.

Operator

Your next question comes from the line of Arvind Bhatia from Sterne Agee.

Arvind Bhatia - *Sterne, Agee & Leach, Inc. - Analyst*

Thank you, guys, and congratulations.

Mark Speese - *Rent A Center Inc - CEO, Chairman*

Good morning.

Arvind Bhatia - *Sterne, Agee & Leach, Inc. - Analyst*

First question again -- wanted to actually go back to the core business a little bit. You did much better than I think most people expected. I wonder how your monthly trends were, and how, I guess, October is trending, obviously the guidance seems strong. Wondering what drove all of that, because our sense was from the industry, that the industry was kind of flattish; so it seemed like you gained a nice amount of market share. Was that driven by something specialty to this quarter? Just trying to get some color there.

Mark Speese - *Rent A Center Inc - CEO, Chairman*

I wouldn't say anything out of the ordinary. However, we did have, as I said in my prepared comments, our best summer in 9 years from a gain stand point. That's a combination, of course, of doing a little more on the delivery side and a little less on the return side. We worked really hard to have the right promotions each month, and advertising properly, and drive traffic. We think the tight consumer credit market is driving more traffic in the rent-to-own in general. And we're trying to get as much of that as we can.

We have a good strong solid value promotion every month. Our core products make up on the ticket side of a promotional price. It is only a few units each month, but it drives traffic. And, we have those solid values; but again, not so much that it lowers our ticket price. Just like a traditional retailer, they've worked well this summer, and we're continuing to get solid deals from our suppliers and being able to pass those on and drive traffic. But I think, that maybe the short answer is, the tight consumer credit market is helping this business model as much as anything.

Arvind Bhatia - *Sterne, Agee & Leach, Inc. - Analyst*

All right; and then on RAC Acceptance, and I guess TRS as well within that, wondering how much of the fourth-quarter EPS contribution is coming from TRS and then RAC Acceptance that you opened? And then, off the guidance for next year, can you help us understand the contribution of those 2 divisions?

Mark Speese - *Rent A Center Inc - CEO, Chairman*

I can tell you, Arvind, that in RAC Acceptance, we were estimating $100 million in revenue this year and $15 million to $20 million in profit; and they are in line with that. TRS, in line with that -- I don't have it broken out specifically at this moment for next year. RAC Acceptance in the quarter, in total, is basically flatter even in the fourth quarter guidance. Obviously, it is a positive contribution from the TRS stores, offset by the ramp in the new RAC Acceptances we have opened this year. But in total, it's flat in the guidance for 2011 fourth quarter. And then next year at third quarter, all of the drag that we talked about, the $0.20 essentially, is from International, so there is a positive net contribution in RAC Acceptance for 2012. And I don't have those numbers specifically in front of me at the moment.

Arvind Bhatia - *Sterne, Agee & Leach, Inc. - Analyst*

Sorry, and then conceptually on RAC Acceptance, you guys have talked about something north of 1000 stores at the Analyst Day. You're going to be there much quicker. Can you guys say something about the overall market opportunity? Should we take this to mean the opportunity is much larger than you thought? Any color there?

Mark Speese - *Rent A Center Inc - CEO, Chairman*

I think, certainly, by being close to 1000 stores based on our guidance by the end of 2012, we would say -- though we don't have an exact number for you -- would say the opportunity is bigger than 1000. We're not going to be done growing at the end of 2012 -- even just keeping it at the furniture side. Obviously, if you have one of the larger electronics or appliance chains, that goes above that. Even on the furniture side, we're going to be close to 1000 by the end of 2012.

It is bigger than that. It is not double that, but it is bigger than 1000. It is probably in the 1300 to 1400 range, just on the furniture side, now, rather than the 1000 we started out with. So you can add -- make that -- I suppose maybe a wider range, 1300 to 1500, the furniture range, from minimum to maximum; and then obviously, electronics or appliance side would drive above that.

Arvind Bhatia - *Sterne, Agee & Leach, Inc. - Analyst*

In essence, you brought it up, would you be willing to comment on the pipeline on RAC Acceptance. There's speculation on various tests that you've been doing. And I don't know how much you want to get into that on the call, but anything there that you be willing to share at this point?

Mark Speese - *Rent A Center Inc - CEO, Chairman*

Nothing really to report. We are testing some different things, and always trying to get into more retailers, electronics and appliances, and testing a few things but nothing else to report.

Arvind Bhatia - *Sterne, Agee & Leach, Inc. - Analyst*

Got it. Great quarter, guys, thank you.

Mark Speese - *Rent A Center Inc - CEO, Chairman*

Thanks Arvind.

Operator

Your next question comes from the line of Carla Casella from JP Morgan. Your line is open.

Carla Casella - *JPMorgan - Analyst*

I'm sorry -- can you hear me now?

Mark Speese - *Rent A Center Inc - CEO, Chairman*

Yes.

Carla Casella - *JPMorgan - Analyst*

I may have missed it -- did you give a skips and stolens ratio? Where that stands, and if it varies dramatically by region?

Mark Speese - *Rent A Center Inc - CEO, Chairman*

We have not had -- it has not been anything dramatic by region. I think I give my prepared comments, 2.7% in the domestic rent-to-own business.

Carla Casella - *JPMorgan - Analyst*

Okay. And then, just given -- I'm looking for a little more color on the consumer -- given the weakness in the economy, are you seeing any different buying patterns in terms of the products that they are renting, or frequency of visits, or any significant trend changes?

Mark Speese - *Rent A Center Inc - CEO, Chairman*

No, we are not, Carla. I'd say, the comment I made earlier, the promotions are monthly promotions, and the values in our promotions really is driving what people are renting. Obviously, you have a promotion, and most retailers try to upsell or add onto that. And that is going well, and we continue to trend favorably on the number of units per contract going out as we have these promotions monthly, and then try to upsell or add on things -- coffee and end tables to living rooms, game systems and TVs and so forth. We are not seeing any different trends. Our trends change based on our promotion, really, and what we are pushing, and what the house price points are for that month. I

Carla Casella - *JPMorgan - Analyst*

Okay, great, thank you.

Mark Speese - *Rent A Center Inc - CEO, Chairman*

Thanks Carla.

Operator

Your next question comes from the line of John Rowan from Sidoti & Company.

John Rowan - *Sidoti & Company - Analyst*

Just a couple questions on Mexico. Obviously, you said International, which includes Canada, is going to be $0.20 dilutive to 2012 EPS. But just in Mexico specifically, how does that trend throughout the year? Do you maybe turn profitable any point throughout the year, and what type of same-store sales comps are you expecting out of Mexico for 2012?

Mark Speese - *Rent A Center Inc - CEO, Chairman*

From Mexico, the dilution is equally spread throughout the entire year, as we continued to open stores rapidly throughout the period. If you think about the way the store ramps and the new-store model, having only 25 stores currently at the moment, roughly, in Mexico -- we add 60 or so next year, that's going to have a drag on the small base that we have right now. Of the $0.20, it is basically equally spread through all four quarters, a nickel a quarter, roughly, in Mexico and Canada. And the majority of that being in Mexico.

Robert Davis - *Rent A Center Inc - CFO*

And really I don't even think we can calculated the impact on the same-store sales -- so few stores in 2012, John, coming in from Mexico. I guess it could have an overall impact of 0.1% or something. But it won't be any bigger than that.

Mark Speese - *Rent A Center Inc - CEO, Chairman*

It will be 3 that will be in the entire year.

John Rowan - *Sidoti & Company - Analyst*

Fair enough, thank you.

Mark Speese - *Rent A Center Inc - CEO, Chairman*

Thanks John.

Operator

Your next question comes from the line of John Baugh from Stifel Nicolaus.

John Baugh - *Stifel Nicolaus - Analyst*

Good morning. Thanks, Mark, Mitch, Robert, David. Great quarter. I had a couple of questions -- could you give us some sense on core stores in '12, what the net change will be in store count?

Mark Speese - *Rent A Center Inc - CEO, Chairman*

Our guidance just opened 50. I think, probably, as we go through leases and close some stores that are underperforming, probably it is half of that, the net growth. Probably open 50 and net growth is 25 -- so about 1% on the domestic side.

John Baugh - *Stifel Nicolaus - Analyst*

Great. And then, throughout the call, you sprinkled in comments about agreements being up, deliveries being more than pickups, units per contract being better. I didn't hear APU, but could you -- to the extent you want to quantify any of those -- could you talk to all those metrics in some level of clarity detail? Thank you.

Mitchell Fadel - *Rent A Center Inc - President, COO*

I can give you a little, John. The deliveries are solid. Returns, again, when we compared this Summer to last year, the delivery return ratio in our overall gain was the best in 9 years. I think, when you think about the APU, our APU -- what we call average per unit, and you might want to call it ticket, and so forth -- is pretty strong, primarily because the units per agreement with the customer continues to trend up, as we've talked about. So as we add more units -- and we had hit bottom a couple years go on that metric, you recall, John -- so, like I said, as we add games to TVs, and coffee and end tables to living rooms, and that continues to increase every quarter, then the overall ticket price per customer goes up.

John Baugh - *Stifel Nicolaus - Analyst*

So to be technical, Mitch, average price per ticket, if you will, with -- if there are additional units, the APU might be lower, but you are getting more unit attached to the agreements; so your average price per ticket is trending up. Is that right?

Mark Speese - *Rent A Center Inc - CEO, Chairman*

That's right.

John Baugh - *Stifel Nicolaus - Analyst*

Okay, and I assume that's what allowing you to mitigate any inflation you are seeing on the, particularly the electronics items. Can you discuss a little bit what you are seeing there, and how you are offsetting that?

Mark Speese - *Rent A Center Inc - CEO, Chairman*

I think you said inflation, at --

John Baugh - *Stifel Nicolaus - Analyst*

I'm sorry, deflation.

Mark Speese - *Rent A Center Inc - CEO, Chairman*

I'm sure you meant deflation.

John Baugh - *Stifel Nicolaus - Analyst*

I did, sorry.

Mark Speese - *Rent A Center Inc - CEO, Chairman*

Inflation would be nice in electronics these days for a lot of us. But as you know, John, we have almost always handled that, we could almost always handle that by the term reduction, versus price reduction. Unlike a typical retailer, who just continues to take less margin because of deflation, we can keep our monthly rate the same on products, and just rent them -- put the rent-to-own contract out there on a shorter term. Now, ultimately, that's the less revenue over the life of the agreement when you shorten the term. But remember, only about so many returns -- when 25% or 30% pay out, then the term, the rent-to-own term, doesn't hit the gross margin as hard as it would a traditional retailer. So, we've been successful using -- handling that more with price -- more with term, as you know, and not lowering our prices. That's why our monthly revenues remain strong, and we can add these kinds of same-store sales numbers even in this kind of deflation with TVs and computers.

John Baugh - *Stifel Nicolaus - Analyst*

Right. And then, last thing -- just on the mix, are you doing tablets at all? Are you seeing computers, including tablets, going up as a percentage of the mix? And I guess same question for electronics. Where is that as a percentage of the mix, is that changing? Thank you.

Mark Speese - *Rent A Center Inc - CEO, Chairman*

I don't have those numbers per se in front of me. We do have tablets in the stores. And computers year-over-year did grow last quarter. Really, everything is growing for us. Electronics down just slightly. With the deflation, like I said, we can handle most of it with term, not all of it. But they're down slightly and everything else is up. And again, the electronics -- nothing like a traditional retailer's theme, but down a point or 2 in electronics and everything else up.

John Baugh - *Stifel Nicolaus - Analyst*

Great. Thank you for that color.

Mark Speese - *Rent A Center Inc - CEO, Chairman*

Thanks, John.

Operator

Your next question comes from the line of Emily Shanks from Barclays Capital. Your line is open.

Emily Shanks - *Barclays Capital - Analyst*

Hello. Good morning, everybody. I had a somewhat related question, although a different angle on it. I was just curious if you were seeing any deals coming your way, by way of sourcing products in any particular category, particularly as we move into the key fourth quarter for a lot of guys.

Mark Speese - *Rent A Center Inc - CEO, Chairman*

You broke up just a little there, but I think I got it, Emily. As far as buying opportunities, that is that what your question is?

Emily Shanks - *Barclays Capital - Analyst*

Yes, sorry.

Mark Speese - *Rent A Center Inc - CEO, Chairman*

No, I'm sorry, it was a little hard to hear. As far as buying opportunities -- yes, on the electronics and computer side, deflation brings us new opportunities, it seems like on a weekly or monthly basis. So, yes, we've got some great buys that's helped us put great promotions out there for our consumer; and again we can keep our price point and lower the term. It seems to be working very well. But, yes, there's good buys out there on the electronics and computer side. Not so much on furniture and appliances, but certainly on the electronics side there's good buys. Some we can take advantage of, some not; but we try to take advantage of all the good buys, obviously.

Emily Shanks - *Barclays Capital - Analyst*

Okay, that's helpful. And then my last question is just around the balance sheet. Can you refresh with us if you have a target leverage and what that is?

Robert Davis - *Rent A Center Inc - CFO*

We have historically stated that 2 times or below is kind of a leverage level that we are more than comfortable with. If you follow the company for some time, most people know we've levered up the company at various points in our history, primarily related to financing an acquisition; and given the cash flow characteristics of the business, we've been able to de-lever fairly rapidly post acquisition. So where we are now, at 1.66 times, we're more than comfortable; but obviously, leverage historically has not been an issue for us, just given the cash flow nature of our model.

Emily Shanks - *Barclays Capital - Analyst*

Great, thank you.

Mark Speese - *Rent A Center Inc - CEO, Chairman*

Thanks, Emily.

Operator

(Operator instructions).

Your next question comes from the line of Chuck Ruff from Insight investments. Your line is open.

Chuck Ruff - *Insight Investments - Analyst*

Good morning and congratulations. Given the target range you just talked about with leverage, should we assume you will continue buying back stock? Can you give us any feel for how you think about that going forward?

Mark Speese - *Rent A Center Inc - CEO, Chairman*

As outlined in my prepared comments, obviously the company is interested in continuing to invest for future profitable growth through our initiatives, first and foremost. Opportunistic share repurchase, dividend payments, obviously have been a source of us to return value in the recent past. A lot of things go into that decision-making process regarding free cash flow usage -- whether -- how the stock's performing, any upcoming mandatory debt payments, things of that nature. I think, as we've outlined in the past, people can get a pretty good sense that history sort of repeats itself with our company; and so not going to sit here and commit to a number of shares we are going to purchase, but I will say it is obviously an option we'll continue to monitor to move forward.

Chuck Ruff - *Insight Investments - Analyst*

Okay. How do you look at the acquisition front right now? Are there any large acquisitions that you could imagine closing on in the next year or two? Or are you really focused on growing what you've got?

Mark Speese - *Rent A Center Inc - CEO, Chairman*

I think we are focused on growing our initiatives that we've outlined -- particularly, if you think about the segments we talked about -- RAC Acceptance, the pipeline is robust and full, and so our focus is going to remain on that initiative here domestically.

And then International growth, obviously, is primarily related to Greenfield or Genova. As we continue to go into Mexico, the fact is, we're bringing the model to the country and there's no acquisition targets within the core business in Mexico. Having said all that, we always make acquisitions; the pipeline is small in terms of numbers and sizes of acquisitions in the US. But we are always looking to buy mom-and-pop operators, tuck in acquisitions in various markets. But they are not going to move the needle, but they obviously are always a part of that growth.

Chuck Ruff - *Insight Investments - Analyst*

Okay, great. And I was actually pleasantly surprised at the estimate for cash taxes next year. I thought it was going to be higher as the accelerated depreciation reversed. Can you give us a bigger than a breadbox feel for what happens in 2013? Will your cash taxes exceed book taxes by a much larger amount?

Robert Davis - *Rent A Center Inc - CFO*

You know, Chuck, I appreciate the question. I don't have the information in front of me. Obviously, we will be updating some of those data points and filing our Q later this week. That will outline at a high level the deferred tax liability that will be turned over the next few years. But suffice it to say, it does continue beyond '12, and I think it will have an impact in '13 and '14 as well. But exact components and how much, I don't have them in front of me at the moment.

Chuck Ruff - *Insight Investments - Analyst*

Okay, that's all I have. Thanks.

Mark Speese - *Rent A Center Inc - CEO, Chairman*

Thanks, Chuck.

Operator

There are no further questions at this time. Mr. Mark Speese, I turn the call back over to you.

Mark Speese - *Rent A Center Inc - CEO, Chairman*

Thank you very much. And we do want to offer our thanks to all of you for joining us today. As, hopefully, you heard and saw, we are very pleased and excited about our current performance, about how we are positioned, and about the outlook for the future. Suffice it to say, the strategic growth initiatives that we've been working on continue to perform well and we believe create opportunity for the company in the future. So we will continue to work hard on those as well as the core business, which, again, is performing quite well also. So we certainly appreciate your support and interest in the company. As always, we look forward to reporting back to you next quarter. Thanks again and have a great day.

Operator

This concludes today's conference call.
