FINAL TRANSCRIPT

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PRESENTATION

Operator

Good morning, and thank you for holding. Welcome to Rent-A-Center's second quarter 2009 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, July 28th, 2009.

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 - VP, IR*

Thank you Clara. Good morning everyone, and thank you for joining us. You should have received a copy of the earnings release distributed after the market close yesterday, that outlines our operational and financial results that were made in the second 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 statistical 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, the 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 for 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 March 31st, 2009. Rent-A-Center undertakes no obligation to publicly update or revise any forward-looking statements.

I would now like to turn the conference call over to Mitch. Mitch?

Mitch Fadel - *Rent-A-Center - President, COO*

Thanks, David. Good morning, everyone and thanks for joining us on second quarter earnings call. As noted in the press release, we are very pleased with the customer traffic and rental agreements, and exceeded our expectations for the quarter. In fact, it was our best second quarter performance, in terms of customers and rental agreements, in at least five years. Our lower than expected average price per agreement brought us in at the low end of our guidance on revenue and same store sales.

I would like to remind everyone that the revenue and the negative same store sales were anticipated, and some of that was attributable to our consolidation plan in late 2007. When the stores who received the accounts from those closed stores come into the comp six quarters later, that has a negative affect to the attrition of those accounts. That consolidation plan was about one-third of our negative comp, although certainly nicely accretive to earnings.

So coming in at the low end of our revenue range, with the improved margins and solid execution of our expense management initiatives, primarily in labor, losses and delivery expense, helped us to beat our adjusted earnings number significantly, and we now have an even stronger earnings estimate for the year of $2.32 to $2.42. I mentioned customer traffic has been good, and we continue to focus on that, by making strategic bulk purchases that create strong values for the consumer, while continuing to target our advertising and our marketing accordingly.

On the collections front, our operation team continues to execute well. Our second quarter delinquency average was the second lowest in five years, while our customers skips and stolens as a percentage of store revenue, was as good as any second quarter in the last five years coming in at 2.2%. Our inventory remains in good shape, with a typical second quarter held for rent percentage of 23.9%.

Speaking of inventory management, we have now begun to roll out our new inventory management tool, which allows for a more centralized purchasing approach. We expect it to make us even better at having the right merchandise, in the right stores at the right times. As I said, that has started to roll out, and will roll out across the country over the next six months or so, and again we anticipate even better inventory management with this new program.

On financial services well, it wasn't that long ago we were losing about $1 million a month in those new kiosks. We are now close to breaking even. Our loan portfolio has grown nicely. Our losses are in-line with expectations, and all-in-all we are very pleased with our progress there.

We will continue to work on that business, and if we can continue the improvement trend that we have seen in that business, we will start planning out a new growth strategy for the Financial Services initiative.

In summary, we are very pleased with our traffic in this very difficult economic environment. We will continue to focus on our targeted promotions, enhancing the customer experience, maintaining our strong credit inventory and expense controls, with a goal of continuing to improve margins and increase profitability. I would like thank our 18,000 co-workers for a job well done, and for their continued execution of our business plans.

And with that, I will turn it over to Robert.

Robert Davis - *Rent-A-Center - SVP, Finance, CFO*

Thank you, Mitch. I am going to spend just a few moments updating you on our financial highlights during the quarter, and then I will turn the call over to Mark for some closing comments.

I would like to mention that much of the information that I provide, whether it is historical results or forecasted results will be presented on a recurring and comparable basis. As it was outlined in the press release, total revenues were $679.6 million during the second quarter of 2009, down $39.4 million as compared to the second quarter of last year.

This decrease is primarily the result of a reduction in our same store sales comp of 6.2% for the quarter, at the lower end of the guidance we provided, and as Mitch indicated, about one-third of this decline was the result of the anticipated revenue attrition, from approximately 375 stores that received customer agreements, that were closed and merged in the consolidation plan in the fall of 2007.

Despite the decline in our revenues our operating profit margins improved quarter-over-quarter by 50 basis points, primarily due to the positive results in our expense management initiatives. Net earnings and diluted earnings per share as adjusted, were $40.8 million and $0.61 respectively. Increases in both cases of approximately 8% to 9%.

Our second quarter EBITDA came in at $91.5 million, with a margin of 13.5%, a 10 basis point increase over the same quarter of 2008. We continue to post strong results in both actual EBITDA and margins, and these results ultimately lead to our strong recurring cash flow generation. In fact, our operating cash flow was approximately $71 million during the second quarter alone, and now rests at over $211 million year-to-date through June 30th.

As a result, as of June 30th we were able to reduce our outstanding indebtedness since year-end by close to $171 million. Furthermore, we have reduced our overall indebtedness by over $282 million since June 30th of 2008, or in just the last 12 months.

We ended the quarter with close to 96 million in cash on hand, and intend to utilize the majority of this cash, to redeem the remaining $75 million of subordinating notes due today, or that we are calling today. Which brings our total debt reduction for 2009 to over $246 million, and a total of over $357 million in reduced indebtedness since June 30th of 2008, and as a reminder, the subordinated notes that we called today, were both our most expensive and nearest term indebtedness.

So as a result of our reduced indebtedness that our leverage at the end of the second quarter was lowered to 2.02 times, right around 2 times, and that is down from 2.81 times from June 30th of last year, an improvement of over 28%. Additionally pro forma for the redemption of the notes today, our leverage should now be just below 2 turns. This position is up significantly below the floor, on our covenant requirements of 3.25 within our senior credit facility.

At quarter end net debt to booked cap equated to 35%, down over 1,200 basis points, or approximately 26% since the second quarter of last year. So pro forma for our redemption today, we now only have approximately $700 million in remaining outstanding indebtedness, all within our senior credit facilities. These debt reduction efforts, we believe have positioned us well to manage through this continued challenging macroeconomic environment, and we intend to continue to utilize our cash prudently.

So our cash flow remains strong, our leverage levels are healthy and continue to improve, and we feel comfortable with where we are in regards to our leverage, liquidity and cash flow. In terms of guidance as outlined in the press release, we anticipate for the third quarter, total revenues to range between $666 million and $681 million. Same store sales are expected to decline between 4 and 6%, a portion of those declines will again be the result of a 2007 consolidation plan. As for diluted earnings per share, we are guiding the third quarter to a range of between $0.46 and $0.52, as compared to the $0.44 posted in Q3 of 2008.

For all of 2009 our total revenues are now expected to be within a range of $2.75 billion and $2.78 billion, we expect our same store sales for the full year to decline between 2 and 4%. We are increasing our overall diluted earnings per share guidance for 2009, and now expect it to be in the range of $2.32 and $2.42, which the midpoint of this range would equate to just over a 16% improvement, as compared to the $2.04 we reported for all of 2008.

In terms of EBITDA and free cash flow, the Company continues to expect EBITDA to range between $345 million and $365 million, with free cash flow now expected to be in the range between $280 million and $300 million. As always, this current guidance excludes any potential benefits associated with potential stock repurchases, or acquisitions, or dispositions, completed after the date of this release.

With that update, I would now like to turn the call over to Mark.

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

Thank you, Robert and Mitch. Good morning everyone, and thank you for joining us. Well, let me start by saying all-in-all, I am quite pleased with our overall performance during the second quarter, be it the overall tone of business, customer traffic, certainly the expense management, our delinquencies and losses, and the continued improvements in our financial services business.

All things considered, I believe the management team has done a very good job, in what remains a challenging economic environment. As Mitch mentioned, customer traffic was up, and ahead of our expectations. Now having said that, we continue to see individual consumers renting fewer units, and less expensive units, resulting in the lower price per agreement.

I think it is fair to say that the rentals are more need based and less discretionary, which perhaps shouldn't be too surprising given the environment. While a little disappointing that the price per agreement has dropped, most encouraging from my perspective, is that we saw increased traffic in the stores. Again as Mitch mentioned, April, May and June were our best individual months in years by many standards.

So while there is some pressure on the top line due to the low price per agreement, we are driving traffic, retaining and gaining customers, and we believe that that should serve us well when consumer confidence returns, and more discretionary spending takes place. In the meantime, we continue to be aggressive with our marketing initiatives and our product offerings. The Super Values and the likes that Mitch spoke of, to drive traffic and to gain additional customers. Again all the while, our delinquencies and losses are at historical lows.

On the Financial Service side, I also am very pleased, as the team has made great progress in improving the results. We continue to grow the overall loan portfolio, collections have improved considerably, and we are nearing breakeven. While we are going to take a little more time to improve these results, and develop the bench and management team, we hope to begin the process of evaluating where new stores may be located in the near future, with the belief that we can be in a position to begin modest new store additions later this year. Again great improvement on that side of the business.

Of course, as Robert mentioned, our balance sheet is in very good condition. We continue to generate healthy margins and strong cash flow, and as you have seen or heard, we have paid down a significant amount of debt. In fact, again retiring the remaining $75 million of subordinated notes today. With our leverage ratio now under 2 times, and our strong cash flow, I believe we are well-positioned to execute our plans.

So in summary, I believe things are going quite well. The consumer remains under pressure, but we are seeing the demand. We are doing a great job of managing costs, as well as delinquencies. Our Financial Service business continues to improve. The balance sheet is in great shape, and I believe that we have the right initiatives in place to see us through the balance of the year, and into the future. We appreciate your support. I also want to offer all of my thanks to all of the co-workers for their efforts this past quarter.

And we would now like to open the call up for questions.

QUESTIONS AND ANSWERS

Operator

Thank you, sir. (Operator Instructions). Our first question comes from Arvind Bhatia with Sterne Agee. Your line is open.

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

Good morning.

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

Good morning, Arvind.

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

Congratulations on a good quarter.

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

Thank you.

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

First question is, Mark, the traffic increase that you spoke of, are you seeing any kind of trend there, in terms of where that is coming from, what kind of customer that is, if there is any change there? And then my second question is on the store level costs, can you elaborate a little bit more, on kind of the savings that you mentioned on the labor side, et cetera? I guess rent as well. Maybe you can kind of speak to what is driving more of the cost efficiencies, compared to some other factors?

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

Yes. From the consumer traffic standpoint, it is not a material shift. It has remained really pretty constant over the last couple of quarters. We continue to see a little bit of a higher end consumer coming in, but there has not been a material shift over the last couple of quarters, in terms of the demographics, if you will, of the consumer.

About the only thing that I would tell you, and I don't want to read too much into it, the one thing that we have seen is the consumer that as coming in, appears to be a little less transient. They have been in their current residency longer than we had seen in the past, and I don't remember the exact percents, but if it was a higher percent were there less than a year, that has changed, and in fact, a higher percent is there two years. So it is a little bit more stable consumer, but from the demographics standpoint not much of a change.

Mitch Fadel - *Rent-A-Center - President, COO*

I can add to that a little bit, Mark. We talked last year or late last year about starting to see an increase in the revenue of our customer, and as Mark pointed out, it has leveled off the last couple quarters and we are not seeing that continue to go up. But you don't know what came first, the chicken or the egg, right? Were they higher a year ago, the people that are coming in, and now the income levels are in-line with what we have seen historically, or at least what we had the increase a few quarters ago, and now it has leveled off, but if those people dropped down, and is that why we are seeing that level? We don't really know the answer to that, but I would just throw that out there as an additional point.

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

Do you want to touch on the store side or the expense side?

Mitch Fadel - *Rent-A-Center - President, COO*

Sure. On the expense side, Arvind, on labor, we focused quite a bit on overtime, excess overtime, really managing that a lot harder. The losses as I mentioned are at historical lows, and on the delivery, not only have the gas prices been much better than last year, we also, I think we have talked about it in at least briefly on these calls about I guess the beginning of the year, instead of each store having two cube trucks, the big box trucks, now each store has one box truck and one van.

So our gas mileage is better also, because we are using the van for some of the smaller product deliveries, versus using just the cube trucks. So it hasn't just been the luck of the gas being lower than last year. It is an initiative on putting one van in each store, to be more efficient both from a labor standpoint, as well as from a fuel standpoint. So those are the major things.

Again on the labor side, it is not like we have laid off people, but it has really been a focus on overtime, and the number of hours per store, and just a much tighter management of our labor dollars.

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

Was rent per store a factor at all this quarter?

Mitch Fadel - *Rent-A-Center - President, COO*

It is down a little bit, but it is not a material factor. No, we are not seeing that yet. As we renew leases and negotiate leases early, and we have told you before, we are starting the negotiation early to try to 'take advantage of the market that is out there,' especially in certain areas, but it ends up where you are making a deal two years ahead of time, for a renewal that is a better renewal than we would have made had we waited, because we are taking advantage of this market, but it is something really we are going to see the savings on over the next five years, not something you see right away, because we are negotiating out five year leases.

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

I think the other thing, when we talk about savings on that line, frankly if there was no increase in occupancy costs, I would do that as a savings. I don't know that it would be a reduction. Certainly in some cases we may be able to negotiate a reduction, but more than that if you are able to negotiate a renewal without an increase, and it is a combination of those two things, but to your point it is over the four or five year lease, it is not all up front.

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

And my last question, guys, is on inventory management. You touched on more centralized purchasing. Maybe help us understand what that means for the store manager, what is changing from his perspective? Is he having to get through, or go through more hoops to order inventory, and how is that going for stores where you have got that, or just kind of give us a feel for how that is going to work?

Mitch Fadel - *Rent-A-Center - President, COO*

Gladly. Actually it is a lot less work for the manager. Instead of trying to figure out what the store needs on a daily or weekly basis for replacement orders, we are going to do it for him, and then send that down to the manager, and for district managers to look at, and approve or disapprove, because they may know something in the market that we don't know, based on the way that the program works. So we are doing all the work for the manager, and just asking them for approval.

So it is a lot less than what they do now, and it is based on two to three years worth of data, trends and so forth for that particular store, not just an average store, for that particular store. All of that data is in this program. It is a very sophisticated I guess Oracle program, that was the basis of it, a very sophisticated program to calculate what they need, again with final sign off being at that field level. So it is a lot less work for them, and we believe will cut down on any product outages that we have.

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

You are not really taking the decision away from them. You are just helping them make a better call on how much to order of a given product?

Mitch Fadel - *Rent-A-Center - President, COO*

Absolutely.

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

It is a technology platform that rather than relying on the manager to order the appropriate merchandise at the appropriate time, technology will send it to them. But again to Mitch's point, they will have the ability to override if they need more or less, for reasons that it may not know, but it is really about realtime situations, if you will, about having the right, making sure that we have products and not missing opportunities.

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

Great. Thank you, guys, for the answers.

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

Thank you.

Mitch Fadel - *Rent-A-Center - President, COO*

Thanks, Arvind.

Operator

Our next question comes from John Baugh with Stifel Nicolaus. Your line is open.

John Baugh - *Stifel Nicolaus - Analyst*

Good morning.

Mitch Fadel - *Rent-A-Center - President, COO*

Hi, John.

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

Hi, John.

John Baugh - *Stifel Nicolaus - Analyst*

There is a line item that really jumped out was the expense, and it was considerably below guidance. Could you help us understand what changed relative to your expectations? You touched on a few of the line items, and maybe some color on how sustainable those are?

Mitch Fadel - *Rent-A-Center - President, COO*

I will start and then, Robert, you can chime in. I would say the expense management on labor, the overtime management, what we forecasted that we could run, we did a little better than we anticipated with that. We did a little actually significantly better on losses, the vans that I mentioned earlier, the effect of those, and how much would that cut down our fuel, was a little better than we anticipated. What else, Robert?

Robert Davis - *Rent-A-Center - SVP, Finance, CFO*

It is all of the items we just spoke of. I am assuming, John, I misunderstood your question at the beginning, you were talking about salaries and others, I presume, because that is the one where we really saw the pickup in the earnings.

John Baugh - *Stifel Nicolaus - Analyst*

Correct, correct. I forget the ratio or the percentage you guided, but it was materially below that.

Robert Davis - *Rent-A-Center - SVP, Finance, CFO*

The range was 58.3 to 59.8. We came in at 57.3, and essentially it is the items we have talked about, we were more efficient with our labor, managing credit better, having lower losses, the delivery expense is down due to more efficient management of the fuel expense, with the vans, and so forth. It is really all up and down the P&L , and in terms of whether it is sustainable or not, the answer to that question is we believe so.

Obviously going into the third quarter we would expect that line to tick up a little bit. There is a little bit of a shift in labor dollars in the third quarter, given the number of business days, but also going into the summer months with higher utility costs, some seasonality as it relates to fuel. So we would expect that gross dollar amount to tick up in the third quarter, but relatively speaking, the items we talked

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Mitch Fadel - *Rent-A-Center - President, COO*

I guess like anything else, you know what what your initiatives are going into the quarter, and then you expect to execute it at least this level, and then when you execute even better, you end up with better results.

John Baugh - *Stifel Nicolaus - Analyst*

Have you changed in the field the number of district managers or regional managers, and/or their pay structure, in relation to obviously you have been shrinking the store base. So I would assume it has come down, but has it come down at a rate faster, in terms of the number of people or the pay scale, in the last year or so?

Mitch Fadel - *Rent-A-Center - President, COO*

No. It is still the same ratio as far as number of stores per district manager, and number of district managers per regional director. So it has come down based on the consolidation plan, but not faster than the ratio would dictate, and pay if anything has gone up.

John Baugh - *Stifel Nicolaus - Analyst*

Okay. And then you made several comments about traffic in the APU, but no specifics on numbers. Are you saying traffic is up year-over-year? Any quantification of that? And then what was the APU? What is your best guess as we look out into the future of how that APU trends? Is it all happening in electronics, where there is this concern about deflating TVs, or is it just across the board in your merchandise lineup?

Mitch Fadel - *Rent-A-Center - President, COO*

On the traffic what I was referring to and what we are referring to when I said the best second quarter in five years, in at least five years, is year-over-year numbers. So comparing second quarters, it was the best performance we have had on customer accounts, retention and growth of customer accounts, as well as retention and growth of rental agreements, the best quarter. So I was talking sequentially.

John Baugh - *Stifel Nicolaus - Analyst*

Was that growth? Did your customer count grow?

Mitch Fadel - *Rent-A-Center - President, COO*

Pardon me?

John Baugh - *Stifel Nicolaus - Analyst*

Was it up year-over-year?

Mitch Fadel - *Rent-A-Center - President, COO*

Yes. It was up slightly, and that is better than we have done in the past as we get into these summer months, where they have a mature store base.

John Baugh - *Stifel Nicolaus - Analyst*

Okay. But then you mentioned I think agreements per customer is down.

Mitch Fadel - *Rent-A-Center - President, COO*

Yes. And that is really where the average per agreement is coming down, and it is not so much the agreements per customer but it is the units that each customer is renting. Where we're really seeing the falloff on the average per agreement, John, is not so much in our pricing, because as you know, even with the deflation of the electronics prices, we manage that primarily through lowering the term and not the rate.

Our plasma TVs and LCD TVs are more apt to be 21 months now, and gosh, a few years ago they would have been 30 months, but without reducing the rate. So that hasn't dropped it, and that is the beauty of the way we price, is you can do it through the term and you don't have to do it through the rate and, of course, with 25% or less going to term, that helps, right? But they are renting less units. A lot of it is the add-on units that they are not getting, whether it is the stand for the TV, the coffee and end tables for the living room group, the game system on top of the TV.

Of course, DVD rentals used to be a popular add-on, and they are gone now, because they are so inexpensive at retail, but it is the add-ons per agreement is where that drop is really coming on, and a little bit of trading down, maybe taking a 32-inch TV versus a 42-inch TV. Again it is not because of the deflation, because we handle that through terms. It is more really the customer making their mind up to really take a smaller TV, the entry level washer and dryer, instead of the front load washer and dryer, or not doing those add-ons units.

John Baugh - *Stifel Nicolaus - Analyst*

Right. And just a couple things, Robert. One do, you have an interest expense forecast on the into '10, and then can you tell us what the cash tax number is going to do in the back half of this year, and '10 and '11, as it relates to reported taxes? Thank you.

Robert Davis - *Rent-A-Center - SVP, Finance, CFO*

Sure, John. Our estimate for cash taxes for the year is $60 million, it is about equally weighted, $30 million of that is in the first half and $30 million of that is in the last half, and so that is kind of our forecast for that next year. In terms of interest expense for 2010, we expect that to be a similar number to this year, not materially different, primarily because we are expecting rate to go up next year, albeit we have paid down a lot of debt in 2009.

We have also benefited from a lower interest rate environment. So right now we are projecting interest rates to go up slightly in 2010, and assuming that our indebtedness kind of stays where it is, other than the mandatory payments that we have throughout 2010.

John Baugh - *Stifel Nicolaus - Analyst*

Okay. So I am sorry, the $60 million in cash tax is this year, and is there an early forecast or '10 or '11 what that goes to?

Robert Davis - *Rent-A-Center - SVP, Finance, CFO*

Cash taxes for 2010?

John Baugh - *Stifel Nicolaus - Analyst*

Yes.

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

It does reverse.

John Baugh - *Stifel Nicolaus - Analyst*

Exactly. Do I look at the deferred tax number on the balance sheet, and take the majority of that out, and smooth it out over '10 and '11 or --?

Robert Davis - *Rent-A-Center - SVP, Finance, CFO*

Yes. In 2009, John, again $60 million, we expect that to go to $170 million in 2010. So about $110 million swing, and then it will be more normalized '11, '12 and beyond, about $115, million or $120 million a year.

John Baugh - *Stifel Nicolaus - Analyst*

Thanks for that color. I appreciate it.

Robert Davis - *Rent-A-Center - SVP, Finance, CFO*

Sure.

Mitch Fadel - *Rent-A-Center - President, COO*

Thanks, John.

Operator

Our next question comes from David Burtzloff with Stephens, Inc. Your line is open.

David Burtzloff - *Stephens, Inc. - Analyst*

Good morning, guys. Congratulations here. Robert, on the guidance, I just want to be clear that that does exclude the Perez credits?

Robert Davis - *Rent-A-Center - SVP, Finance, CFO*

Correct. The guidance that we give is pro forma, excluding any one-time items, and that would include the Perez.

David Burtzloff - *Stephens, Inc. - Analyst*

Okay. And then one thing on your pricing. I know you use the two-by-two pricing format, so as prices come down, how quick are you passing those savings on? I mean if your purchases are less, how quick are you passing those savings on to the consumer? Are you kind of holding those more, a little bit steady now to gain a little bit of margin?

Mitch Fadel - *Rent-A-Center - President, COO*

I think one of the things you have to do when the product is in the system for an average of 20 months, as you know David, when the product is there, if you get a price drop today, but all of your other TVs you just paid $50 higher for, you are not going to drop the prices on everything. So you have got to wait a while. So that does help margins in the short term as things are deflating, it will help margins, because you have to wait before you bring everything down, and when I say bring them down, it is more term rather than rate, as I mentioned a few minutes ago, but it will help when they first start coming down, for the reasons I just spoke of.

David Burtzloff - *Stephens, Inc. - Analyst*

Okay. And then one thing on the payday business, can you give any kind of color, in terms of maybe portfolio growth or revenue growth during the quarter, and also what was the loss rate?

Mitch Fadel - *Rent-A-Center - President, COO*

Robert, do you have that?

Robert Davis - *Rent-A-Center - SVP, Finance, CFO*

Yes. One thing that we have given specifics to in the past, and would be the impact on the comp, and given the negative 6.2 that we reported, about a 0.5% benefit was relative to the growth in Financial Services. So if you strip out Financial Services growth, the comp would have been negative 6.7 or so.

So that is as specific as we have gotten in the past. Suffice it to say, the losses are in-line with our expectations, down where it has been historically in the low to mid-20% range for the quarter, and we would like to see that number improve even further, just given our focus on collections on the RTO side, and the way we like to manage the business. Albeit down, it is not where we want it to be ultimately, but in-line with the expectations we had, knowing it takes time to get our hands around the portfolio, and managing the delinquency, and so forth.

David Burtzloff - *Stephens, Inc. - Analyst*

Okay. Thank you very much.

Robert Davis - *Rent-A-Center - SVP, Finance, CFO*

Thanks, David.

Operator

Our next question comes from Laura Champine with Cowen. Your line is open.

Laura Champine - *Cowen and Co, - Analyst*

Good morning. Can you talk to how this trend toward the lower agreement price, how that compares to prior recessions, and what we should look for when the climate improves? Do people typically start accepting the add-ons and trading up, or do you just lose some of the customers that you got from the tight credit environment? Sort of how should we see this normalize, and how does this compare, based on what you have seen in prior downturns?

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

That is a hard one to answer, Laura, and what you say prior downturns, I guess whether we go back to early 2000, certainly could go back to I guess the early '80s, which might be closer aligned to what we are seeing today, albeit not even as severe as what we are seeing today, and so 20 some years ago, it is hard to equate it, because the business, the industry, was at a very different place. Younger in size, maturity, higher new unit growth rates, and I don't recall the product deflation going on to the extent it is now either, again that is being handled through the term reduction, but I can't sit here and quantify it specifically for you.

Now intuitively having done this for 30 years, and been through various economic cycles, I have said over the last, well for 20-plus years, and particularly over the last couple of years, I am again maybe a little disappointed the pricing has come down a little bit, not overly surprised, that again this is much more need based. We know consumer confidence is an all-time low. There is a lot of uncertainty in the marketplace ,in terms of the economy and employment and all of those things, and so I think it is fair to say people are being cautious.

We know access to credit has diminished, and that is not going to recover I don't believe any time soon, and yet when confidence starts to pick back up and people have more visibility into the future, in terms of employment stability, and things of that nature, and they start spending more discretionary, I do believe that is going to benefit us. Now when does that happen, and what is the extent of it? I can't, other than again my intuition, that I think we are in a pretty good position, and I think it is going to bode well for us over time, to go beyond that, I can't quantify.

Mitch Fadel - *Rent-A-Center - President, COO*

Yes. Not being able to predict when, we certainly would expect that people with increased consumer confidence, that people would add the home theater system for $7, to the $30 a week TV, because they always did in the past.

Laura Champine - *Cowen and Co, - Analyst*

Yes.

Mitch Fadel - *Rent-A-Center - President, COO*

For only a few dollars. I mean it is $1 a day to have Pure Surround Sound with a home theater system, and we are struggling to add those on today. You would expect with consumer confidence, that that would be an add-on that happens at a much, much higher rate, as the consumer confidence changes. So we would expect this to come back, the average revenue per agreement, but it would be really hard to predict when.

Laura Champine - *Cowen and Co, - Analyst*

Thank you.

Mitch Fadel - *Rent-A-Center - President, COO*

Thanks, Laura.

Operator

(Operator Instructions). Our next question comes from Mike Smith with Kansas City Capital. Your line is open.

Mike Smith - *Kansas City Capital - Analyst*

Good morning.

Robert Davis - *Rent-A-Center - SVP, Finance, CFO*

Good morning, Mike.

Mike Smith - *Kansas City Capital - Analyst*

Couple of questions. One on the Financial Services area, AdvantEdge, or whatever it is, you said that you are close to break even, and you will be making a determination as to whether you would expand that in the not too distant future. How fast would you like to expand that?

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

Well, there are lessons learned from last time, Mike, and I say that obviously when we made the decision to get into it, we were pretty aggressive, in terms of our new store openings, and I think it is fair to say that that hurt us. Now we have got the system side of everything handled, and we have talked a lot about that. That gave us a lot of problems on the front end, but the systems are working as designed. We believe we have got the platform and that is scalable, and what we have to do now is be mindful of the management side.

You don't grow bigger or faster than management can handle, and so again we have made great improvements. We are about break even. We want to get through the next couple of months again, to make sure that we have got things in place, from an operation execution standpoint. We want to further develop the management team, the bench, if you will, so that as we start opening more stores we have got a pool to draw from, that is not going to have an adverse impact on the existing stores, and then in terms of the quantity then, I think we are going take a more disciplined approach to it than we did last time.

Ultimately could we get up to where you were putting the 100 or 200 a year in? If you had 1,000 stores to draw from, that is a hell of a lot easier. When you have got 300, we have got to be a little bit more mindful. So again, if we could be in a position to start opening a few of them up later this year, and turn that number up a little next year, what does that number ultimately come to? Oh, I don't know. I am talking more than 10 next year, but I am not talking 200. I will tell you that, not the first year.

We need to prove, again, so I don't know if it is 50 or 100, or somewhere in that area, but I think we are going to want to prove to ourself first, that we have got, I know we have got the IT platform. We have got that scalable part of it. We have got to make sure from a management oversight, and the execution side of it, that we are not overloading management, and so we are just going to be a little bit more mindful and diligent, when we start it back up again. So that is kind of a long answer.

Mike Smith - *Kansas City Capital - Analyst*

Is the model to have about 1.5 people assigned to that segment of your store?

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

Yes, yes.

Mike Smith - *Kansas City Capital - Analyst*

Okay. And in terms of new store openings, how has the philosophy varied there?

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

In terms of rent to own?

Mike Smith - *Kansas City Capital - Analyst*

Yes.

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

Well, much smaller. I mean again we have got the 3,000 or so locations. I believe our expectation this year is we are going to open 30 to 40, and that almost works out to be a sum zero frankly, because as you know, we continue to consolidate or close a handful of stores a quarter for different reasons, be it overlap, performance, and yet we will open a similar number a year. So I don't recall the number we have opened thus far. I know it is in the press release, if I look at it.

Mitch Fadel - *Rent-A-Center - President, COO*

We are on track for 30 or 40.

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

We will do 30 or 40 this year. It will probably be a similar number next year. Maybe it is a little bit more, but not materially.

Mike Smith - *Kansas City Capital - Analyst*

Well, thanks. Good quarter.

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

Thank you.

Mitch Fadel - *Rent-A-Center - President, COO*

Thanks, Mike.

Operator

At this time, I would like to turn the conference back over to Mr. Mark Speese for summary comments.

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

Well, folks, thank you again for joining us. We appreciate it. As I mentioned, obviously we are pleased with our current operating results. We are pleased with the tone.

We do recognize that we are still in a tough economy and that our customer remains under pressure, but we are mindful of that, in terms of how we are approaching the consumer from the product offering and the marketing standpoint, obviously managing our expenses and our balance sheet. I do think we are positioned to get through the balance of the year, and we look forward to being able to report back to you our results next quarter.

So thanks again for your support. We look forward to talking to you in the future.

Operator

And this does conclude today's conference call. You may now disconnect.
