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RCII - Q1 2012 Rent-A-Center Earnings Conference Call

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OVERVIEW:

RCII reported 1Q12 total revenues of $835.3m, net earnings of $51.9m, and diluted EPS of $0.87. Expects 2012 revenues to exceed $3b and diluted EPS to be $3.00-3.20.

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CORPORATE PARTICIPANTS

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

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

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Jason Campbell *KeyBanc Capital Markets - Analyst*

Laura Champine *Canaccord Genuity - Analyst*

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PRESENTATION

Operator

Good morning and thank you for holding. Welcome to Rent-A-Center's first-quarter 2012 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, April 24, 2012. 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 of IR*

Thank you, Tracy. 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 first 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. You can also find on our website the unit level economics for our growth initiatives. These will be updated only on an annual basis as our segments continue to grow and mature. And 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, growth in 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 annual report on Form 10-K for the year ended December 31, 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 a review of our first-quarter results. I'm going to be brief as I'm going to let Mitch and Robert provide you more detailed results and information. But let me say that I'm quite pleased with the excellent results that we delivered in the quarter. As reported, both record revenue and record earnings. Our total revenues increased 12.5%. Our same-store sales were up 7.1%. And our EPS of $0.87 was plus-10%. A very strong quarter indeed. As was noted in the press release, some of that was driven by a larger-than-expected number of customers exercising their early purchase options or paying off their agreements in full. While that helps revenue in the current quarter, it does adversely affect the future, in that the recurring revenue associated with those agreements is no longer there.

Nonetheless, the traffic remained steady throughout the quarter. And we believe that we are well-positioned for another positive year. Our full 2012 expectations are on track from our previous guidance, expecting our total revenue to grow of 7% to 10% for the year and EPS growth of 3% to 10%. The macro environment has shown some positive signs recently and we expect a continued demand for our products and services throughout the period. We remain focused on continuing to drive improvements and results in our 3,000 core rent-to-own stores, continue growing our RAC Acceptance partnership base, and building our international presence and infrastructure. We are well-positioned for the future and I appreciate all of our co-workers' contributions in the quarter, and your support as well.

With that, let me ask Mitch to give you more detailed information on the operating results.

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

Thanks, Mark, and good morning, everyone. As Mark mentioned, overall we are quite pleased with the excellent first quarter results, as we did have both record revenue and record earnings. Our 7.1% same-store sales performance is our best in 10 years. A little more of half of that was our core domestic business, with the rest coming from the impact of approximately 290 RAC Acceptance locations coming into the comparison. There were more purchase options than we expected, which is what took us over our annual comp guidance range of 2.5% to 4.5%. Although that is not recurring, limiting our ability to be above that range in upcoming quarters, we do remain comfortable that we will be in that annual guidance range for fiscal 2012. I'm also happy to report that our units per agreement metric moved up in the quarter and is back on a positive trend. We continue to believe that tight consumer credit market is driving customers our way, as an increasing number of consumers needing or wanting high-quality brand-named merchandise are attracted to our value proposition.

Our weekly collections metrics remained in line and our customer losses in our core US rent-to-own stores came in at historically low, at just 2.2%. RAC Acceptance contributed over $87 million in the quarter, which was about 10.5% of our total revenue. We opened 45 locations in the quarter and had 763 as of March 31. This segment continues to perform well and we continue to be excited about its growth potential. On the international front, we opened five more stores in Mexico, ending the quarter with 57, and still expect to add 60 stores there in 2012. We remain pleased with the performance in that segment, remain excited about the 1,000-store opportunity in Mexico alone. In Canada we opened two more stores, ending the quarter with 30, and still expect to add 10 there in 2012. Overall, it was a great quarter. We had record revenues and record earnings. Our collections remain the strength of our Company and our growth strategies continue to perform as expected. I'd also like to thank our 20,000 co-workers for their excellent execution.

And with that, I'll now turn the call over to Robert.

Robert Davis - *Rent-A-Center Inc - CFO*

Thank you, Mitch. I am going to spend just a couple of moments updating everyone on our financial results during the quarter, review our 2012 annual guidance, and then we will open the call for questions. As a reminder, much of the information that I provide, whether it's historical results or forecast results, will be presented on a recurring and comparable basis, and therefore exclude any nonrecurring charges. As outlined in the press release, our total revenues were $835.3 million during the first quarter of 2012, an increase of $93.1 million or 12.5%, compared to the first quarter of last year. This increase was primarily due to an increase in revenues within both the core US RTO segment and the RAC Acceptance segment, leading to our very strong same-store sales comp. Our record net earnings in the quarter were $51.9 million, while diluted earnings per share equated to $0.87, an increase of 10.1%. These results do include about a $0.07 drag on earnings in the first quarter, due to the investment and ramp-up of our international growth initiatives.

As expected, these investments had a similar impact on operating margins in the quarter, which were down quarter over quarter and equated to about 11%, which was similar to the full-year operating margin for 2011. Our first quarter EBITDA increased 4% to $111.4 million in the margin of 13.3%. Positive cash flow during the first quarter equaled just over $138 million on an operating basis. During the quarter, the Company repaid approximately $89 million in indebtedness, which was a combination of a mandatory payment as well as a reduction in the revolving lines of credit that were outstanding at year end. As well, the Company also made our seventh consecutive quarterly dividend payment, and ended the quarter with approximately $107 million in cash on hand. This combination of growth in EBITDA and the reduction in our indebtedness in the quarter allowed us to lower our leverage ratio at the end of Q1 to 1.4, two times, well below the floor on our covenant requirement of 3.25.

So we continue to believe our balance sheet is in great shape, and as such, we believe that we remain well-positioned to execute on our growth initiatives and continue to provide long-term value to our shareholders. Turning to guidance for a moment. As you will recall, at the beginning of 2012, and in conjunction with our adoption of segment reporting, we no longer provide quarterly guidance. Our goal is to provide high levels of disclosure and transparency about our expectations and results, while also providing management with the opportunity to maintain a long-term focus on the growth and profitability of the Company. As such and based on how we performed during the first quarter both operationally and financially, we continue to maintain confidence in our annual 2012 guidance.

So as a reminder, we expect total revenues to exceed $3 billion by increasing between 7% and 10%. With this projected increase in the top line, we expect our same-store sales for 2012 to range between a positive 2.5% and 4.5%. Overall diluted earnings per share for 2012 are still expected to be in the range of $3 and $3.20, which includes an approximate net $0.25 to $0.30 drag on EPS, primarily relating to our international growth initiatives, as RAC Acceptance overall will be a positive net contributor in 2012. And as an aside, and though management no longer provides quarterly guidance, I feel it worth pointing out the following. RAC Acceptance is now profitable and its profitability should ramp up sequentially each quarter throughout the year. That sequential profit growth ramp should offset some of our historical summer seasonality. Therefore, each of you may want to revisit your second- and third-quarter EPS spreads as it relates to our annual EPS guidance.

Now, as a result of the continued growth and ramp-up of RAC Acceptance, we would expect our gross profit margin to decrease approximately 100 basis points on a consolidated basis in 2012, although we expect gross profit dollars to be up between 7% and 9% as compared to 2011. We expect both our operating and EBITDA margins to decline approximately 50 basis points while we continue to invest for growth and for the long-term. Yet we are expecting the dollars will increase in both categories. More specifically, in terms of EBITDA and free cash flow, the Company continues to believe EBITDA will range between $400 million and $420 million, with free cash flow to be expected in the range between $80 million and $100 million. The 2012 guidance does not include the potential impact of any repurchases of common stock the Company may make, changes to future dividends, material changes to outstanding indebtedness, or the potential impact of acquisitions, dispositions, or store closures that may be completed or occur after the date of the press release.

That is our prepared comments and updates. Operator, we would now like to ask you to open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Bud Bugatch, Raymond James & Associates.

T.J. McConville - *Raymond James - Analyst*

Good morning. This is T.J. McConville filling in for Bud. Congratulations on the quarter. Thank you for the segment detail in this release, this is great. Gentlemen. Mitch, you alluded to it a little earlier but can we have a little bit more of a quantification on what you think the higher early payouts added to the comp in the quarter? Would we have been 4.5% without the early payouts or would it had been higher than that number?

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

Certainly on the high side of our range. It was a good quarter in a lot of ways as you can see. Rental fee income played a part of it when you just look at that segment reporting. So the high end of the range -- I think the difference between 4.5% and 7.1% was [the early] purchase options.

T.J. McConville - *Raymond James - Analyst*

Okay. That's helpful. Presumably most of that or at least a significant portion of that looking at the gross margin results were in the RAC Acceptance segment. Is there something you are learning about that business now? Where the customers are preferred to buy this merchandise earlier? Is there a way to address that? Or is it just sort of learning this game and figuring it out a little bit more?

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

Well first, in the core US business, the early purchase options were way up as well. So it wasn't just RAC Acceptance. They were both much higher in early purchase options that we expected -- again, that being the difference of 4.5% and 7.1%. So it was in both. Yes, we are learning on the RAC Acceptance business. A little more of a propensity to buy out, a little higher income consumer than our core business.

So, the first quarter is always higher on payouts and it was just a little higher than we expected in both segments of the business. But yes, we are learning about that customer and what they're habits are and so forth. Then we obviously take those learnings and tweak the model as we go.

T.J. McConville - *Raymond James - Analyst*

Okay. The last one for me. From some of the commentary. It sounds like the agreement count at the quarter end is about where you would expect. Is that what we should read from the commentary? Were you are able to re-up some of these early payouts and get back to where you expected you would be at the end of the quarter?

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

Certainly for the most part we were able to do that. Nothing outside of our expectations, and that's why we are confirming annual guidance. So we are comfortable where we ended the quarter.

T.J. McConville - *Raymond James - Analyst*

Okay fair enough. Thanks guys that's very helpful. Congratulations again, and best of luck on the rest of the year.

Operator

Jason Campbell with Keybanc Capital Markets.

Jason Campbell - *KeyBanc Capital Markets - Analyst*

Good morning. I was just wondering whether there was any sort of geographic disparity or timing on the early payouts? Did that have anything to do with refund anticipation checks or is this just something you elevated throughout the quarter?

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

It was elevated throughout the quarter. When we say through the quarter, it really starts around February 1, is when the payouts start, from income tax refunds. Refund anticipation loans aren't a big part of our -- the trend anymore. They were going back to 2010. But starting in 2011, they really started to dry up in the marketplace and were not much of our business. The early purchase options are really more direct income tax refund and start right around 1 February.

Jason Campbell - *KeyBanc Capital Markets - Analyst*

Okay. Then on the RAC Acceptance. I know you guys have called out -- you say it could be over $300 million, the contribution. You're almost at $90 million for the first quarter, continuing to open up some, and these are continuing to ramp. Is $400 million out of the question or is that a high end of what you guys might be looking for?

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

Yes. We won't be $400 million this year. Again, they have -- it is ramping up as the year goes on. But of course, the early purchase options helped them in the first quarter also on the revenue. So it's still in that approximate $300 million range.

You know, the ramp-up is what Robert was talking about. As we open more of them, it becomes more profitable as the year goes on. Not necessarily that you can take the $90 million-some or close to $90 million and multiply it by four, but they just become more profitable as the year goes on. That's why Robert was suggesting, make sure you take that into consideration when you look at how the EPS ramps up over the year to get within our range.

Jason Campbell - *KeyBanc Capital Markets - Analyst*

Okay. Then just one last one. I was wondering, do you guys break out any sort of comp for the RAC Acceptance? I know you said overall it contributed about 50%. It seems like that comp for those RAC Acceptance that are getting a comp, should be pretty strong right now.

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

They are strong. That is the impact of only having 290 of them come in the comp. The impact is a little more than 50% in the core business. Call it 50% --it's close enough. That's the impact of it. If you look at the model on our website. Certainly they comp in the second year, I don't know off the top of my head -- 100% or whatever.

If that is the impact of only 290 of them being -- coming into the comp -- and keep in mind, when we say 290 came into the comp. About 120 of those were mature stores when we bought them from TRS in the fall of 2010. It was about 155 stores in TRS. Some of them were newer. So when we say 290 in there, about 120 of them coming in really weren't going to drive the comp the way the other ones are. You think about the new stores we've opened, it's about 170 new stores that are having that kind of impact on the comp.

Jason Campbell - *KeyBanc Capital Markets - Analyst*

All right, thanks a lot.

Operator

Laura Champine. Canaccord.

Laura Champine - *Canaccord Genuity - Analyst*

Good morning, guys. I just want a little more information on that same-store sales number. When was the last time you put up a 7% same-store sales number in a quarter? Do you think that the ramp in the RAC Acceptance kiosks materially changes your comp expectations beyond 2012?

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

Well, the answer to the first part of your question, it was the first quarter of -- I guess we had a little echo there -- first quarter of 2002 when we had that size of account. Can you hear us all right, Laura? We are getting an echo here.

Laura Champine - *Canaccord Genuity - Analyst*

I can hear you, yes.

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

Okay. Anyhow, it has been 10 years. As far as future years, we haven't done a lot of work around future years but if you think about 170 new stores coming in to the comp in the first quarter, again about 120 of them being mature when we bought them. Having that kind of impact in the comp is certainly a positive outlook when you go down the road and there's 1,000; 1,100; 1,200; 1,300 of them all coming in the comp.

Laura Champine - *Canaccord Genuity - Analyst*

Thank you.

Operator

John Powell, Stifel Nicholas.

John Powell - *Stifel Nicolaus - Analyst*

Thank you, good morning and likewise thanks on the disclosure. I wanted to start on the core business, with payouts up so much. What does that say about the customer? That their tax refunds -- were they higher, have they come into more income all of a sudden? I'm curious as to what you think drove the customer behavior.

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

I haven't seen data that says they're higher than the past -- maybe slightly higher than the year before, but not dramatically. It may say the customers are in a little better shape than they've been in the past. Consumer confidence going up slightly. You know, the terms on electronics, John, are lower. Not all of our products are electronics. Because of deflation our terms are lower, so in a shorter agreement, the buyout is lower. So you're more apt to do it. I think that probably has as much of an impact as anything.

John Powell - *Stifel Nicolaus - Analyst*

Okay. If you look at the RAC early payout that increased. You've talked about a blended -- they take it to term, it's three times retail. You've estimated that it's probably going to average in the 2 to 2.2 times. Does this data suggest that, that number may be lower?

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

No, I wouldn't say that. We are still comfortable with the data we have put out there.

John Powell - *Stifel Nicolaus - Analyst*

Okay. On the international losses of $0.07. I forget, I think you gave guidance for the year and forgive me if I am wrong, it was a $0.20 loss. It may be wrong. Clarify that and then I guess that tracks if that is the right number. That loss declines somewhat as you get a few more stores in Mexico, more mature, or is there something else going on?

Robert Davis - *Rent-A-Center Inc - CFO*

I'll clarify that, John. I think the last time we gave numbers it was $0.20 plus or something in that range. The $0.25 to $0.30 that we are talking about now, if you think about segment reporting and the way we are now tying out by segment our results of operations. We are also getting more precision around our allocations. The bottom line is that the new international drag on earnings is a fully embedded cost that includes allocation from corporate headquarters and in-country support and things of that nature. Suffice it to say, those numbers were always in our overall projections for next year. But we've now allocated some additional costs to our individual segments from year-end. So that's what you are seeing with the revised estimate, is more a function of reallocation of cost than it is an increase in expenses or costs associated with that venture.

John Powell - *Stifel Nicolaus - Analyst*

Okay, so presumably core gets a little better in terms of whatever you -- not that you've guided by segment. But core would be a little better, international would be worse. But the consolidate number would be the same.

Robert Davis - *Rent-A-Center Inc - CFO*

That's correct.

John Powell - *Stifel Nicolaus - Analyst*

Can you update us on Mexico in terms of what you're seeing? There was a very slight degradation there in gross margin percentage year over year, but I know there is a lot of ramping going on. I don't know if that means anything. There was a slight increase in inventory held for rent there. Again, just any color around how Mexico is going.

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

We are pleased with it. The customer acceptance and the proposition is there, John. No, I wouldn't read into the gross -- if the gross margins are a percent or two lower. It's not like the prices are lower than when we started or anything. It's just the ramp, and if you get a few more purchase options and so forth. No, we are still on our model and feel real comfortable with what's going on in Mexico.

John Powell - *Stifel Nicolaus - Analyst*

My last question is back to the core US. Is there going to be a promotion? Is there a promotion already underway where we are trying to restore some of the payouts so we'll see some discounting? So, we may see a little lower comp at the core, like you alluded to in the next quarter or two, as you try to build back a book? Or no, our book is fine, we are not going to have to do anything?

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

We're not going to go into the -- we are not going to promote from a free time as heavy as we did last year. Which, last year we did it in March to make it up by the end of the first quarter. We don't anticipate needing to do that again. The comp certainly will build back up. It's not going to be 7.1%. I think we are pretty clear on that, that it's not going to be 7.1% in the second quarter. Because we have to build those accounts back up. But we still feel like the range is fine that we gave.

John Powell - *Stifel Nicolaus - Analyst*

Great, thank you.

Operator

DeForest Hinman, Walthausen and Co.

DeForest Hinman - *Walthausen and Co - Analyst*

Hi. Just digging a little bit further into the RAC Acceptance, the gross margins were down. But the operating margins, I believe, were up. You talked about the early purchase options. Can you help us on a dollar basis, understand how much early purchase option is flowing through that business? So we can get a better idea of how to model the margins in that business going forward?

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

We can follow up with you off-line. That's kind of getting into the details, we would be happy to go through with you. But suffice it to say, if you go out and look at some of the unit level economics that Dave alluded to in the beginning. You utilize those models that we provide on our Investor Relations website, that will help you with modeling the impact of RAC Acceptance through what we expect from a growth standpoint.

DeForest Hinman - *Walthausen and Co - Analyst*

Okay, I will do that. My second question is on the use of capital. We have not, I believe, bought stock in two quarters. We are not facing any pressure on the debt side with our covenants and we are building cash. So can you just update us on your thoughts for that?

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

Sure. Our thoughts are consistent with the way our thoughts have been for the last several years. That our approach is to share repurchases on an opportunistic basis. Where the stock has been trading lightly, we just didn't feel like it was a prudent use of capital. When you think about at year-end, with our revolvers being extended a little above where they were historically, we wanted to create some additional liquidity on our revolver for timing purposes. As the stock trades here going forward, obviously share repurchase will be an option that we will continue to consider. But we look at it and view it more as an opportunistic view on share repurchase.

DeForest Hinman - *Walthausen and Co - Analyst*

All right, thank you.

Operator

(Operator Instructions) [Rohan Zenje] with Seawolf Capital.

Rohan Zenje - *Seawolf Capital - Analyst*

Can you give us a break-up of the net charge-offs between the core and core business and RAC, if you don't mind?

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

The charge-offs in the core business, as I said, were 2.2% for the quarter. We are not reporting charge-offs by segment. Segments are so small --

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Rohan Zenje - *Seawolf Capital - Analyst*

Okay.

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

Mexico and Canada are so small and so new that they don't run at the model level yet. There is some volatility there when the stores are brand new. They can run for a while, then if they have one loss, it can be 8% of the revenue that month, and so forth. Because of the size of those segments, we are only reporting on the core at 2.2%.

Rohan Zenje - *Seawolf Capital - Analyst*

Understood. Also, on -- just following up on the previous question on the use of capital. There is also, you had mentioned on the last quarter's conference call, too, about the deferred tax liability. I think [indicates] mentioned it's something to the effect of $196 million that's reversed this year? How do you think about the cash taxes that you have to pay versus no buybacks in your guidance for this year? How should we think about that?

Robert Davis - *Rent-A-Center Inc - CFO*

That's obviously another component that goes to the equation. When we -- in my prepared comments I mentioned our free cash flow expectation for 2010 is $80 million to $100 million, that's before our dividend. Our dividend requirement is $45 million plus. About 50% of our free cash flow is going to dividend payments. So, we are returning value to our shareholders through that venue. So, given the fact that our cash tax obligation is higher than it had been in the last several years, it obviously factors into the impact on our free cash flow. 50% of that free cash flow is going to dividends. We've got a little dry powder for opportunistic share repurchase, depending on how the stock trades. That is kind of how we view our use of capital.

Rohan Zenje - *Seawolf Capital - Analyst*

Just a last question. Following up on the previous question, how should we think about sustainable gross margins for RAC, given that in this quarter they actually came in below 50%? What is the sustainable level you think for the RAC business?

Robert Davis - *Rent-A-Center Inc - CFO*

Certainly the first quarter is going to be the lower percentage because of early purchase options, just like in the core business. Because the early purchase options, even though it is more dollars, it's our lowest gross margin of the year. It will be the same in RAC Acceptance. I think for the year, it will hit within the model. There is obviously seasonality in the quarter that you see on both the core side and the RAC side.

Again, out on our website we are going to have posted or is already posted unit level economics by segment. The expectation for Management for gross profit on RAC Acceptance is 58%, roughly, give or take a point or two here or there. I think that we can still get to that level during the course of all of 2012, even though it was less than that in the first quarter just due to early payouts. We are still confident in gross profit overall and RAC and expect to see those numbers by the end of the year.

Rohan Zenje - *Seawolf Capital - Analyst*

Got it. Thank you.

Operator

John Duskin, Macellum Capital.

John Duskin - *Macellum Capital - Analyst*

Thank you. Hey guys, great quarter. Just help me, tell me if I am missing something. I think you're saying RAC Acceptance added about, it was about 50% the comp. So, let's call it 3% and change, of the total comp. I think you said about 170 stores that weren't the matured TRS's. I understand the early prepayment options will make the core business probably come down from this trend. It had in the quarter, which I think you were indicating, was at the top end of your range.

Let's just say that made the core comp go to zero. Our numbers might be a little bit off, but I think you've got another 100 stores hitting the comp base from RAC each quarter. If the ratio holds consistent that 170 drove the 3.5%, as those other 100 are hitting, that 3.5% should continue to accelerate by a couple of points each quarter. I don't know if you're being overly conservative on the balance of the year or I'm missing something, there is another draw down that is occurring that I don't understand.

Robert Davis - *Rent-A-Center Inc - CFO*

I think the impact in the first quarter will be a little higher ratio to those 170 stores just based on the early purchase option. I think that the ratio of half -- that 3%-plus impact from RAC Acceptance on 170 stores, you have to discount that a little bit because it was the first quarter, and take down that 3% to some lower number. Obviously not to zero, but you have to take that 3% down a little bit. But certainly, the positive impact on same-store sales, you are right on target there, John.

John Duskin - *Macellum Capital - Analyst*

Okay, appreciate the clarification. Good luck, guys.

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*

Okay, well thank you again for joining us. Thank you for your continued support of Rent-A-Center. It's a great strong start to the year. We believe that we are well-positioned for another positive year. We look forward to visiting with you again next quarter to provide further updates. Thanks again and have a great day.