



## Supplemental Presentation



May 22, 2017



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# RCII's Incumbent Directors Admit to Massive Value Destruction

## RCII Investor Presentation

### Prior initiatives and impacts

<b>Pricing / value proposition</b>	<ul style="list-style-type: none"> <li>Rates, cash prices, and total payments uncompetitive</li> <li>Overstocked with older used product</li> <li><b>EBITDA impact: (\$85mm)<sup>1</sup></b></li> </ul>
<b>Shift towards "good" vs. better/best products</b>	<ul style="list-style-type: none"> <li>Led to lower revenue-per-agreement</li> <li>Liquidations</li> <li><b>EBITDA impact: (\$70mm)<sup>1</sup></b></li> </ul>
<b>Increased mix of part-time labor</b>	<ul style="list-style-type: none"> <li>Increased employee turnover</li> <li>Decreased customer service</li> <li>Increased skips and stolens</li> <li><b>EBITDA impact: (\$35mm)<sup>1</sup></b></li> </ul>
<b>Push on quantity not quality</b>	<ul style="list-style-type: none"> <li>Focus on deliveries at any cost</li> <li>POS impacted ability to execute on account management processes</li> <li><b>EBITDA impact: (\$65mm)<sup>1</sup></b></li> </ul>

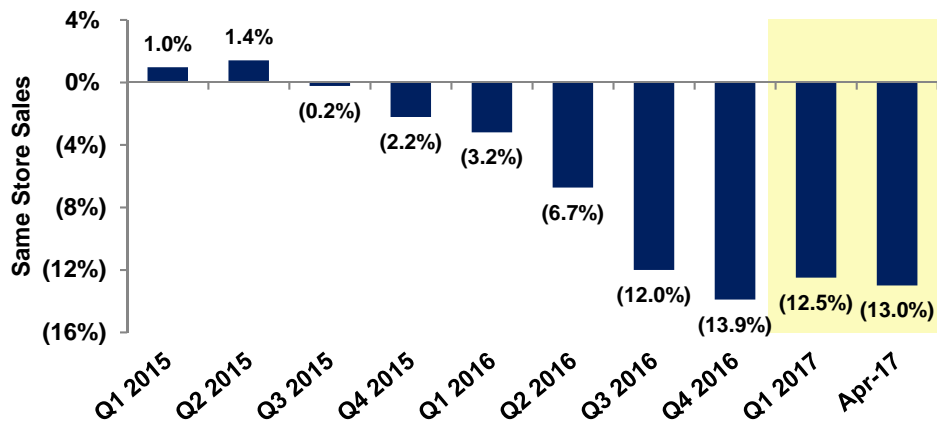
The Board's plan for \$160 million of EBITDA improvement over three years has been preceded by \$255 million of EBITDA lost under the incumbent Board's oversight

**The Board's failed oversight has driven RCII's stock price to 15-year lows**

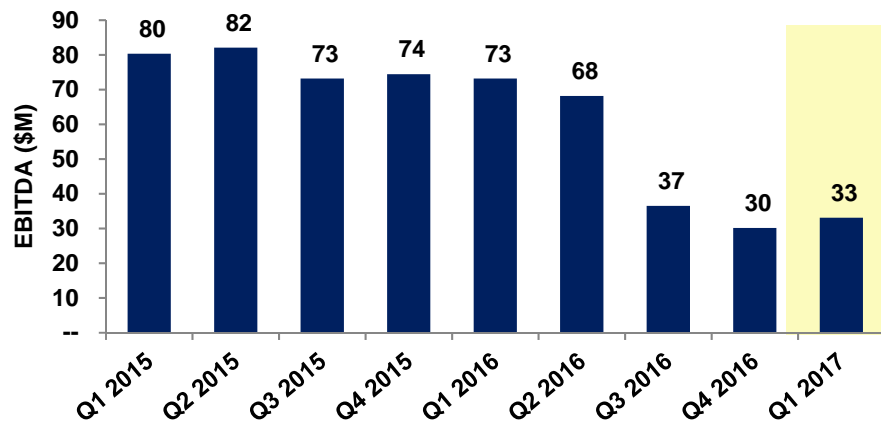


# RCII's Current Results Reflect the Board's Strategic and Governance Failures

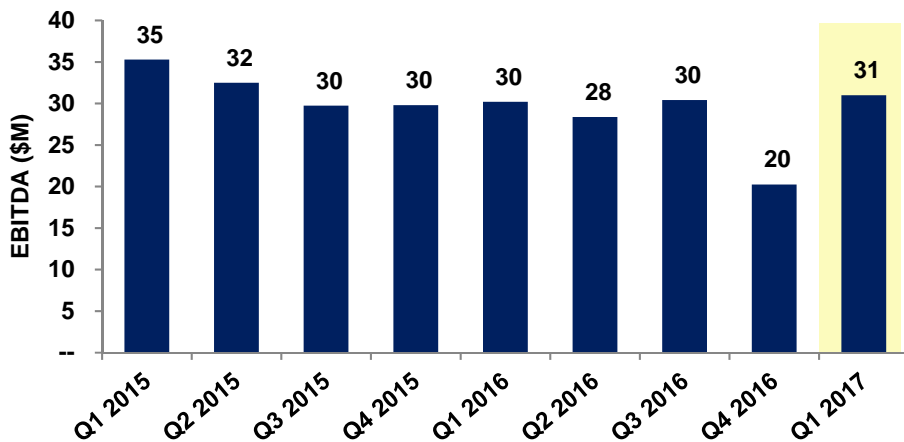
### Core U.S. Same Store Sales



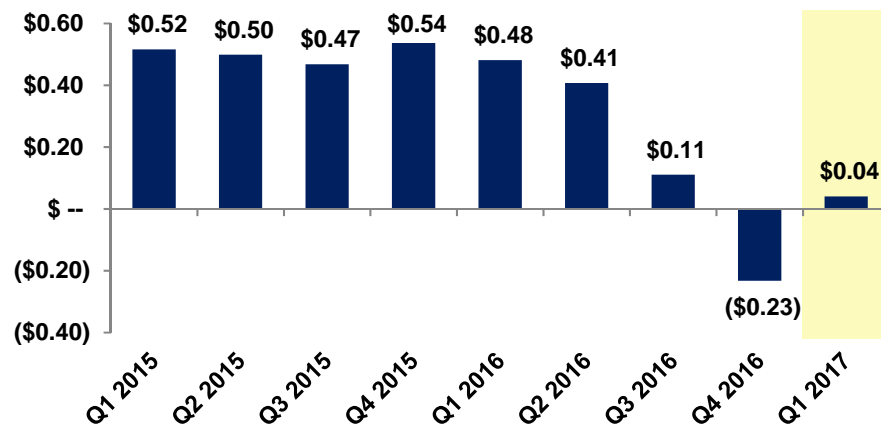
### Core U.S. EBITDA



### Acceptance Now ("ANow") EBITDA



### Earnings Per Share

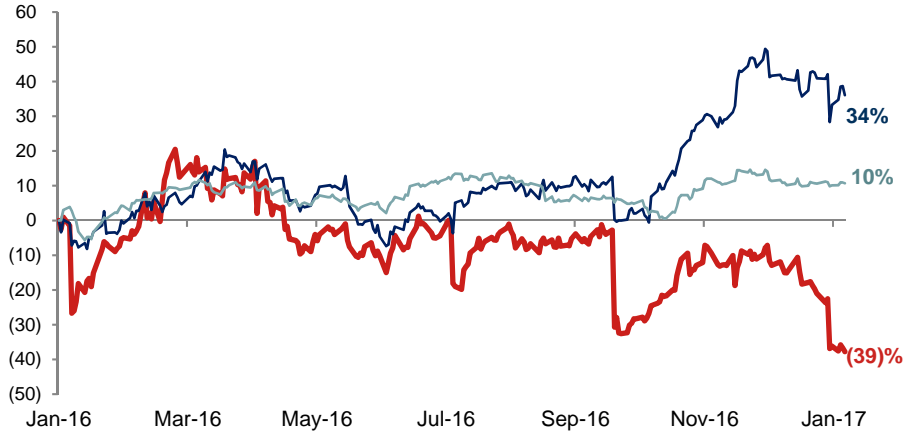


**Marginal sequential improvement is trivial in the context of the destruction of stockholder value over the last 1, 3, 5, and 10 year periods**

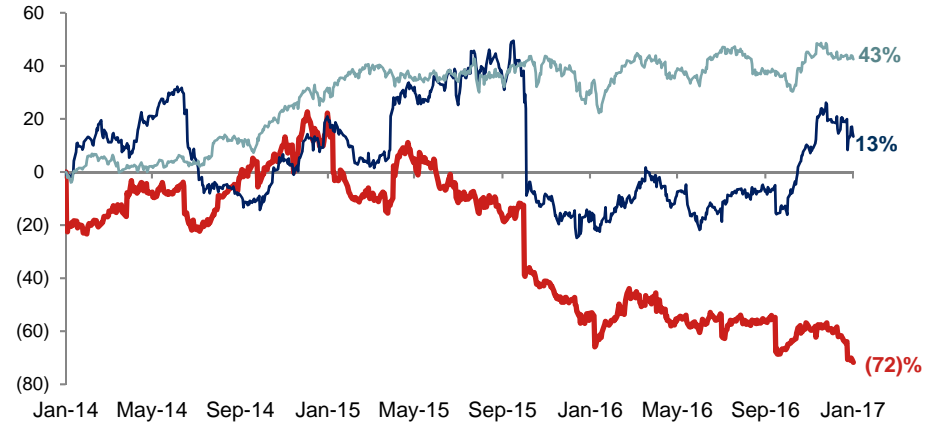


# RCII Has Failed to Create Value for Stockholders Over Both a Short and Long-Term Basis

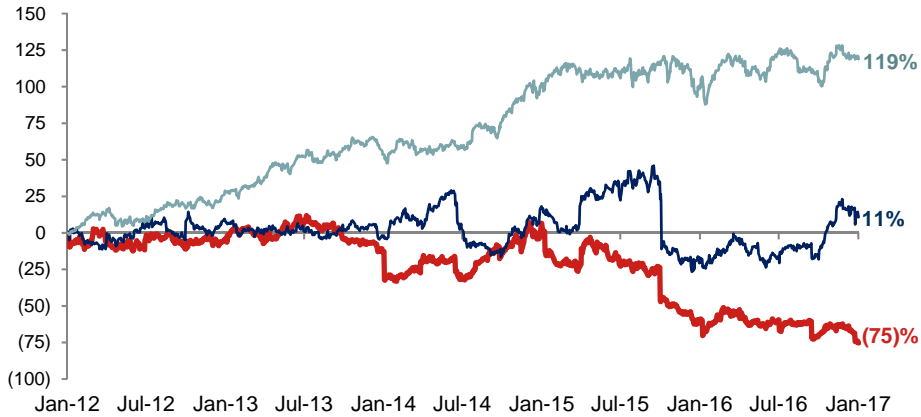
1 Year – Indexed<sup>1</sup>



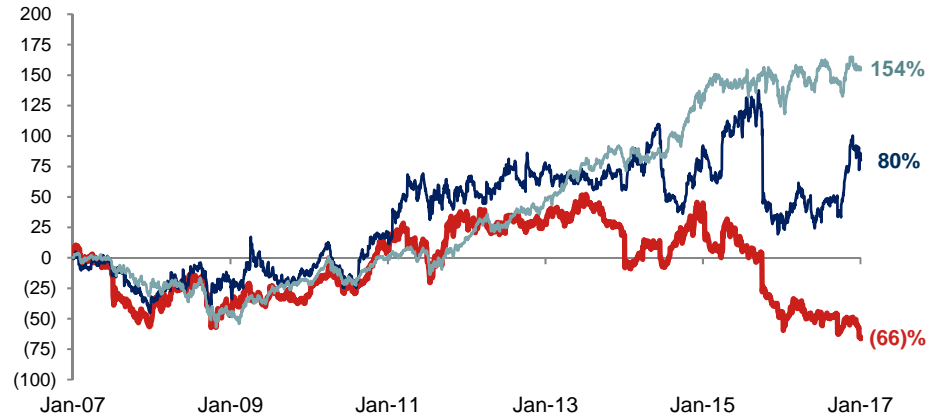
3 Year – Indexed<sup>1</sup>



5 Year – Indexed<sup>1</sup>



10 Year – Indexed<sup>1</sup>



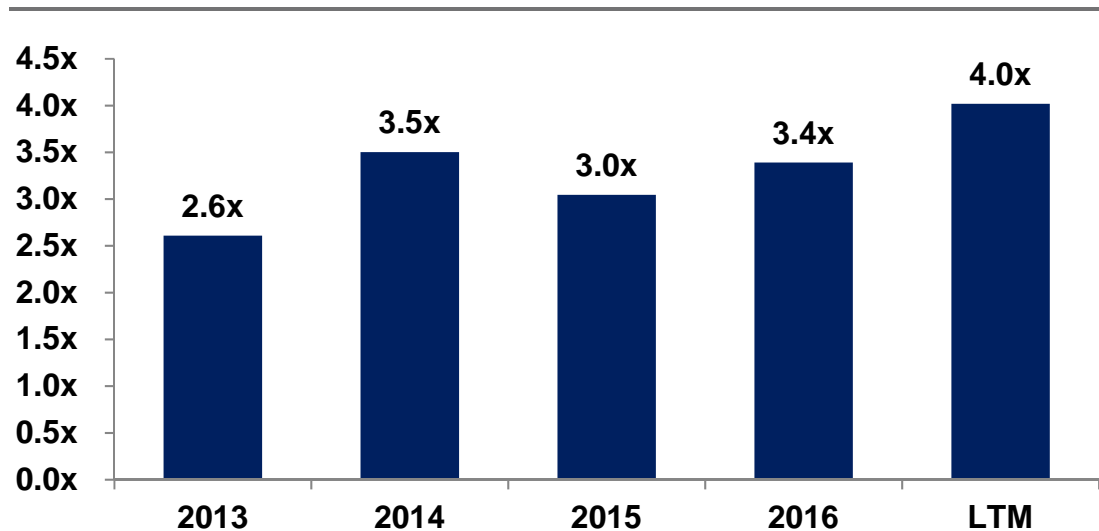
RCII      AAN      S&P 1500 Specialty Retail

Source: FactSet data as of 1/27/2017, the day before Engaged Capital 13D filing  
 1. Indexed to 0.

## Financial Risk is Increasing

- In Q1 2017, RCII breached certain debt covenants, requiring a waiver from its creditors that significantly limits its ability to borrow additional capital
- The Board was forced to reduce RCII's dividend by 67% at the beginning of 2016. At RCII's current leverage ratio, the likelihood of future dividend payments remains unclear

Net Debt / EBITDA<sup>1</sup>



**Balance sheet risk to RCII's turnaround strategy has increased**

# RCII's Recent Stockholder Communications are Misleading

## RCII Investor Presentation<sup>1</sup>

### Acceptance Now

- 1 ~\$565k per location in annual revenue
- 2 6-8x productivity vs. all competitors
- 3 Low capital investment
- 4 Provides incremental revenue for the retailer
- 5 Industry-leading approval rates
- 6 Serves both the banked and unbanked
- 7 Mid-teens operating margins
- 8 Only player offering staffed and unstaffed model



New stores require working capital investment and borrowing capacity is limited due to breached debt covenants

RCII had to announce measures to reduce elevated skips/stolens and address ANow product flooding the Core U.S. stores

Segment reporting does not represent true segment economics:

*"We will, for internal purposes, be writing down the product to wholesale cost levels when it makes its way into the Core business."*<sup>2</sup> *"That's only for internal purposes right now... At some point we may decide to change external disclosures around gross margin and the write-downs, but today it's just at the store level that they see that transfer price or adjustment to the cost of goods."*<sup>2</sup>

Only 96 ANow Direct locations remain from 545 in 2016...381 were closed in the most recent quarter:

*"...not doing much business in those particular doors...It's not a big cost, but there wasn't much volume to support it either...what we wanted to do instead was kind of pull it back in and spend the appropriate time and investment developing a platform that will be more user friendly and can scale much faster and bigger than what that particular application does, or did...it's not a product that we want to scale. So we're going to bring it down and get it right and then launch it."*<sup>2</sup>

**Many of the points raised in the Board's most recent presentation to stockholders are contradictory**

Sources:

1. RCII presentation, May 17, 2017
2. Quotations of RCII management from Q1 2017 earnings call



# Criticisms of Engaged Capital's Plan Make No Sense

## RCII Investor Presentation

### Engaged Capital: *No Operating Plan, No View on Strategy*

- × Engaged Capital has not demonstrated an understanding of Rent-A-Center's business, industry or the stockholder value potential
- × Engaged Capital's only proposal is to sell the Company, and yet it has not presented a single transaction for the Company to consider
- × Engaged Capital's rhetoric around a sale of the Company does not offer a view on operating strategy
- × Selling the Company today would deprive stockholders of the significant potential value creation that is achievable under the current strategic plan

Engaged Capital's May presentation shared detailed analysis of RCII's business and the potential for value creation

In addition, our slate of Board nominees includes one of the most experienced rent-to-own executives in the industry

Engaged Capital is NOT RCII's investment banker, but we are confident that if the Board would allow its advisors to talk with interested parties there would be numerous options to consider

How does the Board know this without running a strategic review? Is the Board clairvoyant?

**The Board openly refuses to explore strategic alternatives, yet states that its turnaround plan is superior to a sale of the Company – This makes absolutely NO SENSE**

## The Board's Story Has Changed From April to May

RCII Presentation  
April 2017

*"Rent-A-Center's Board **will continue to evaluate all opportunities to enhance stockholder value** and is committed to pursuing the right course of action for all stockholders."*

RCII Presentation  
May 2017

*"The Board rejects Engaged Capital's claim that now is the time for a process or a potential sale of the Company."*

*"The Board believes the strategic plan has the potential to deliver substantially more value to stockholders than conducting a sales process at this time."*

The Board went from stating it would continue to evaluate ALL opportunities to enhance stockholder value in April...to categorically REJECTING the exploration of strategic alternatives only five weeks later!

**What happened between April and May? Perhaps the phone started ringing?**



# Engaged Capital Day One Governance Imperatives

Matter	Engaged Capital Plan
<b>Strategy</b>	<p><b><u>Form Subcommittee to Evaluate Strategic Alternatives</u></b></p> <ul style="list-style-type: none"><li>• Formulate and value an independent turnaround plan for the Company</li><li>• Initiate a comprehensive analysis of <u>all</u> strategic alternatives with the Company's financial advisors, including but not limited to: a sale of the entire Company, refranchising the Core U.S. and/or Mexico, etc.</li><li>• Compare valuation and risk of all strategic alternatives</li><li>• Pursue the course of action with the highest risk-adjusted value for stockholders</li></ul>
<b>Governance Structure</b>	<p><b><u>Institute Best Corporate Governance Practices</u></b></p> <ul style="list-style-type: none"><li>• Separate Chairman/CEO roles</li><li>• Remove the poison pill</li><li>• Seek stockholder approval to declassify the Board at the 2018 Annual Meeting</li></ul>
<b>Resources</b>	<p><b><u>Fill Vacant Management Positions</u></b></p> <ul style="list-style-type: none"><li>• Fill several key positions left vacant after the exodus of talent under the prior management team and executive terminations, including:<ul style="list-style-type: none"><li>• Chief Financial Officer</li><li>• Chief Human Resources Officer</li><li>• Chief Marketing Officer</li><li>• Chief Merchandise and Distribution Manager</li></ul></li></ul>

**Engaged Capital attempted to avoid a contested election, but no settlement proposed by the Board offered sufficient consideration to protect stockholder interests**



# Engaged Capital Day One Operational Imperatives

Segment	Engaged Capital Plan
Core U.S.	<p><b><u>RCII's Plan is Reactive and Not Novel</u></b></p> <ul style="list-style-type: none"> <li>• RCII's "plan" to improve EBITDA by \$160M is a mea culpa and request to recover from self-inflicted mistakes</li> <li>• RCII's "quick and decisive actions" have been completely reactive to Engaged Capital's involvement</li> </ul> <p><b><u>Store Operations</u></b></p> <ul style="list-style-type: none"> <li>• Explore variable pricing strategies that can stimulate incremental demand. While the Company's return to a 2x2 pricing matrix is an improvement from prior management, it is not the industry norm</li> <li>• Target product ownership levels consistent with a weekly pay customer (40% ownership target is not realistic)</li> <li>• Optimize compensation plans, reinstate corporate mystery shopper, encourage culture of entrepreneurship</li> <li>• Optimize store footprint based on expected improvement in productivity and profitability</li> </ul> <p><b><u>Franchising</u></b></p> <ul style="list-style-type: none"> <li>• Bring a proven franchising proponent and expert to the boardroom in Mitch Fadel</li> <li>• Include a <u>large-scale</u> refranchising plan as part of the strategic review</li> </ul>
ANow	<p><b><u>Balance Growth and Return on Capital</u></b></p> <ul style="list-style-type: none"> <li>• Reduce elevated levels of ANow customer approvals</li> <li>• Assess all retail partnerships and exit relationships with unattractive terms</li> <li>• Objectively assess competitiveness of ANow Direct solution</li> </ul> <p><b><u>Relationship with Core U.S.</u></b></p> <ul style="list-style-type: none"> <li>• Provide segment reporting that reflects true Core U.S. and ANow economics on an <u>external</u> basis</li> <li>• Test inventory management alternatives</li> </ul>
Mexico	<ul style="list-style-type: none"> <li>• Assess options to franchise or sell the Mexico stores immediately</li> </ul>
Corporate	<ul style="list-style-type: none"> <li>• Reduce corporate expense; we believe ~\$100M of cash cost is a reasonable initial target (~\$140M in 2016)</li> <li>• Additional opportunity to reduce corporate expense with potential refranchising</li> </ul>

**The value of the above operating plan would be compared to all other strategic alternatives on a risk-adjusted basis**

## Engaged Capital Recommended Two of its Largest Holdings Remain Public After a Strategic Alternatives Process

### Medifast (NYSE: MED)

- **Agenda:** Growth below peer levels, family run, poor corporate governance
- Joined board in settlement that replaced / removed 8 of 12 incumbent directors
- Concluded private strategic alternatives process in favor of long term plan
- Heightened focus on core business, including new executive leadership
- Implemented regular dividend
- **Total Stockholder Return:** MED **38%**<sup>1</sup> vs. S&P 500 19%

### Sunopta (NASDAQ: STKL)

- **Agenda:** Margins below peer levels, poor corporate governance
- Advised on strategic review process under NDA
- Joined the board after strategic alternatives process concluded
- Undertaking long term plan to improve operations
- Changed executive management
- Company positioned to significantly grow profitability in next two years
- **Total Stockholder Return:** STKL **34%**<sup>2</sup> vs. S&P 500 12%

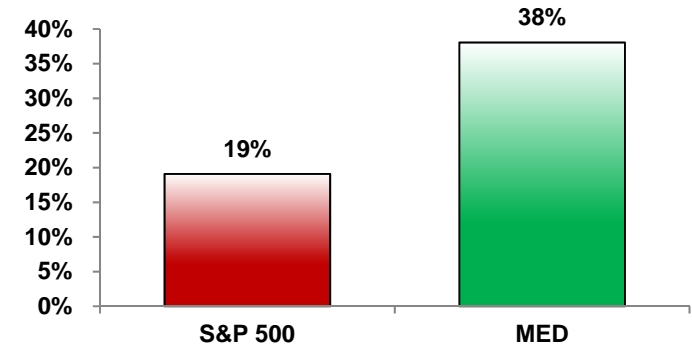
Notes:

1. From day before Engaged nominees elected to the board to May 19, 2017.
2. From day before Engaged principal joined the board to May 19, 2017.

# Nominee Jeffrey Brown Has an Exemplary Record of Value Creation

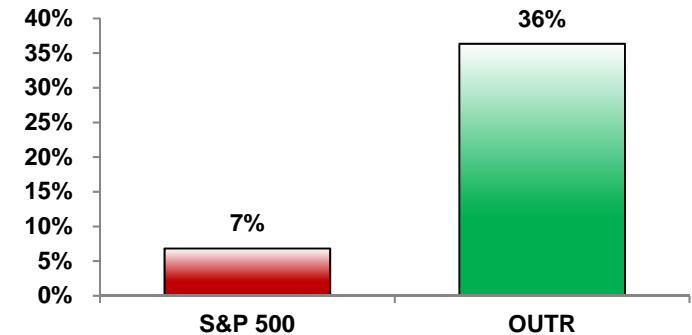
## Medfast Director (6/15 – Present)

- Joined as lead director of reconstituted board
- Strategic alternatives process did not culminate in a sale
- Brought in new executive leadership, returned the company to revenue growth, and improved capital allocation



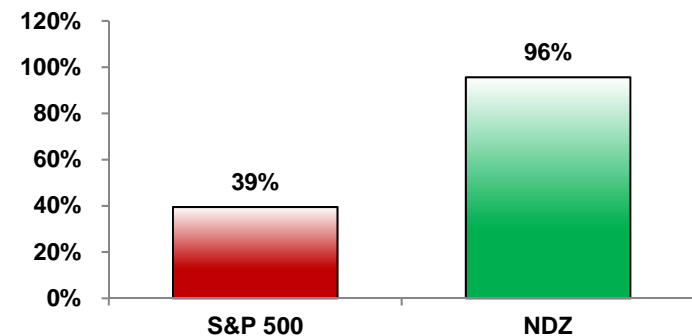
## Outerwall Director (4/16 – 9/16)

- Joined board to represent stockholders as a new independent director while company was in the midst of a strategic and financial alternatives process
- Outerwall was acquired by a private equity firm at a 51% premium above its unaffected stock price



## Nordion Director (9/12 – 8/14)

- Strategic review process initiated after Mr. Brown joined the board resulted in an acquisition of the company

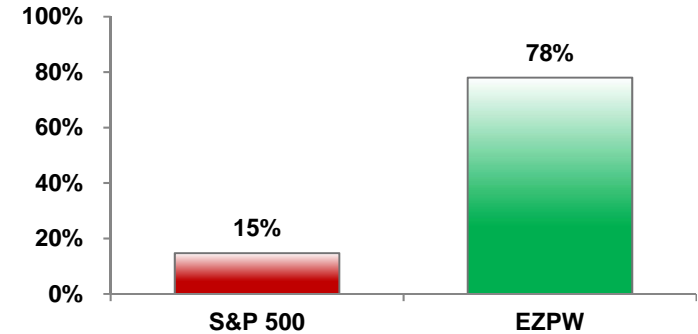


# Nominee Mitch Fadel Has an Exemplary Record of Value Creation

## EZCORP

President,  
U.S. Pawn  
(9/15 –  
11/16)

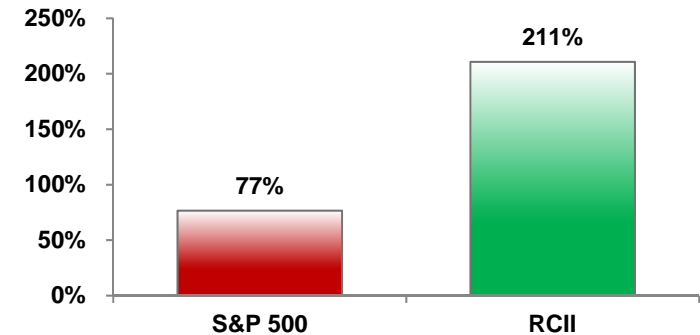
- Refocused and streamlined U.S. Pawn operations, majority of EZPW business
- Significantly improved loan growth, same store revenue growth, and profitability



## Rent-A-Center

Pres./COO  
(7/00 – 8/15)

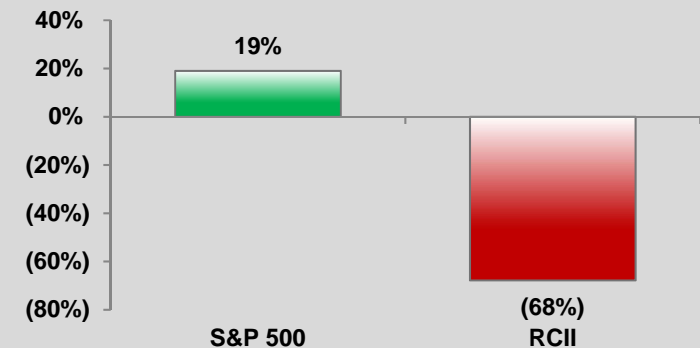
- President and COO since July 2000 and December 2002, respectively, to August 2015
- Director from December 2000 to November 2013
- President and CEO of RCII subsidiary Rent-A-Center Franchising International (formerly ColorTyme) from 1992 to 2000
- 32 year career in the rent-to-own industry



## Rent-A-Center

Since  
Departure  
(8/15 –  
1/17<sup>1</sup>)

- RCII has inaccurately depicted Mr. Fadel's history at the Company
- RCII has dramatically underperformed following Mr. Fadel's departure
- Mr. Fadel will bring much needed industry expertise to the RCII Board





# Engaged Capital Has an Exemplary Record of Value Creation

- RCII's cherry-picked analysis of Engaged Capital's returns and holding periods is extremely misleading
- Since inception, Engaged Capital has made 23 core investments<sup>1</sup> with a median return of 35%, an average return of 21% and an average holding period of 1.7 years

## Engaged Capital Returns<sup>1</sup>

Ticker	Name	ROI	Realized	Holding Period (Yrs)
OUTR	Outerwall, Inc.	61.3%	Realized	0.7
MED	Medifast, Inc.	49.1%	Unrealized	3.3
BDBD	Boulder Brands, Inc.	45.8%	Realized	0.7
BHE	Benchmark Electronics, Inc.	45.2%	Unrealized	2.2
TKR	Timken Company	44.2%	Realized	1.7
OPLK	Oplink Communications	44.1%	Realized	0.7
AVAV	AeroVironment, Inc.	42.1%	Realized	2.0
HAR	Harman International	38.1%	Realized	0.7
MX	MagnaChip Semiconductor	36.7%	Unrealized	2.0
SIMG	Silicon Image, Inc.	36.1%	Realized	1.1
PKT	Procera Networks	35.9%	Realized	0.4
PRXL	PAREXEL International	35.4%	Realized	1.3
TIVO	Tivo Corporation	33.5%	Unrealized	4.1
ESL	Esterline Technologies	33.4%	Realized	1.2
STKL	Sunopta	21.6%	Unrealized	0.9
DST	DST Systems, Inc.	14.7%	Realized	0.6
RCII	Rent A Center	(1.6%)	Unrealized	0.6
VOLC	Volcano Corporation	(4.0%)	Realized	1.6
TRS	Trimas	(8.1%)	Unrealized	2.8
ANF	Abercrombie & Fitch	(18.3%)	Realized	2.7
JMBA	Jamba, Inc.	(19.0%)	Unrealized	3.0
HTWR	Heartware	(23.9%)	Realized	0.8
RTK	Rentech, Inc.	(66.0%)	Realized	3.1
	<b>Average</b>	<b>20.7%</b>		<b>1.7</b>

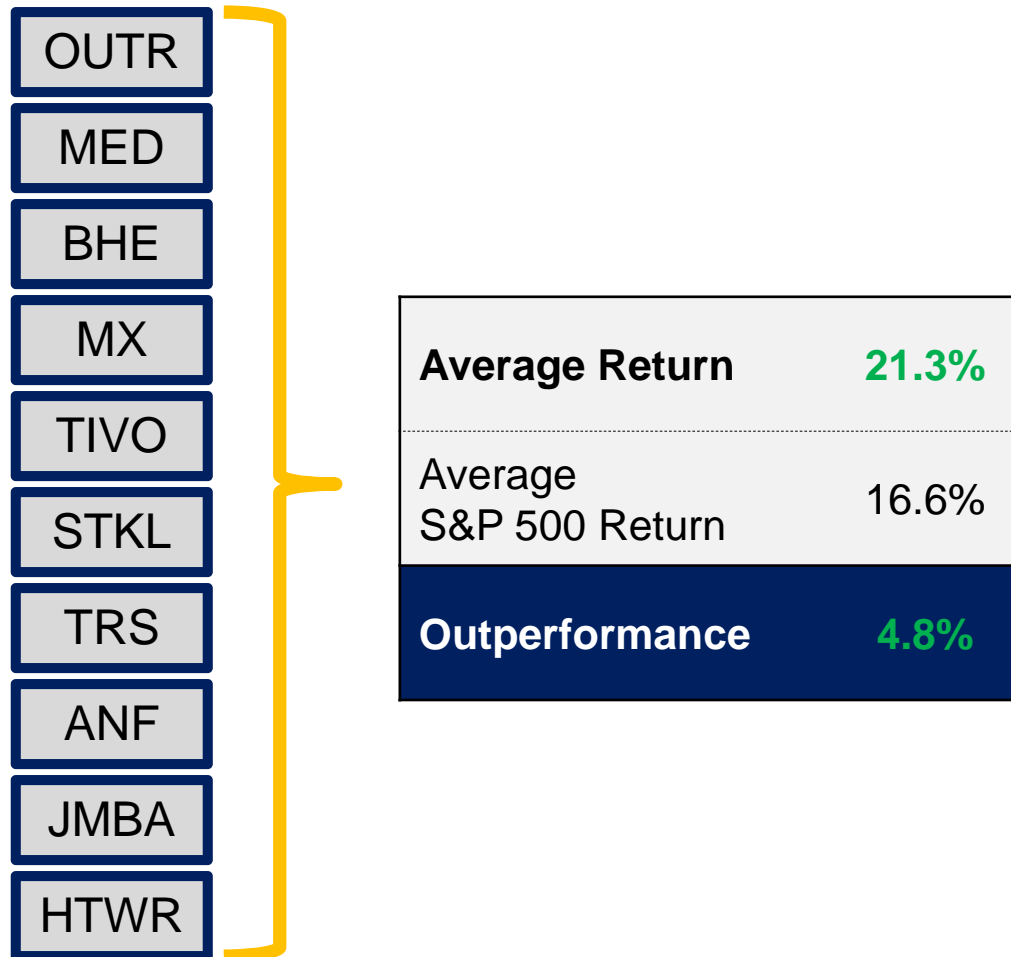
Source: Engaged Capital

Notes: 1. Core positions defined as 5% or greater portfolio weight; ROI calculated through 3/31/17





# Companies in Which Engaged Capital Has Secured a Board Seat Have Consistently Outperformed



**Contrary to RCII's misleading statements, Engaged Capital has a proven track record of creating value in situations where it has secured board representation**

# Engaged Capital's Plan: Reconstitute the Board



**Jeffrey J. Brown**

**Mitchell E. Fadel**

**Christopher Hetrick**

**Current / Previous Experience**

- CEO and founding member of Brown Equity Partners, LLC
- Founding partner and primary deal originator of the venture capital and private equity firm Forrest Binkley and Brown from 1993 to 2007
- Has served on over 40 boards of directors
- Lead director at Medifast (NYSE: MED)
- Former director at Outerwall (formerly NASDAQ: OUTR)

- President - U.S Pawn at EZCORP (NASDAQ: EZPW) from 2015 to 2016
- President/COO from 2000 to 2015 and Director from 2000 to 2013 at RCII
- Former President and CEO of RCII subsidiary ColorTyme from 1992 to 2000
- 32 years of RTO experience

- As a Principal of Engaged Capital, Mr. Hetrick represents the largest owner of RCII with a 20.5% economic interest in the Company
- Dedicated 15-year career unlocking value in publicly traded consumer companies
- Brings significant capital allocation, financial and executive compensation expertise

## Our Nominees Have the Experience Necessary to Create Value at RCII

- ✓ Expertise in operations, financial management, and M&A transactions in consumer and technology companies
- ✓ Significant executive experience in RTO
- ✓ Incentives aligned with RCII stockholders



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