FINAL TRANSCRIPT

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PRESENTATION

Operator

Welcome to Rent-A-Center's fourth quarter and year-end 2005 earnings conference call. [OPERATOR INSTRUCTIONS] As a reminder, this conference is being recorded, Tuesday February 7, 2006. Your speakers today, 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 - IR*

Thank you. 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 we made in the fourth quarter as well as the full-year 2005. 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 to certain financial and statistical information that will be discussed during this conference call will 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 this call such as forecasts, growth and revenues, earnings, operating margins, cash flow and profitability and other business or trend information are forward-looking statements. These matters are, of course, subject to many factors that could cause actual results to differ materially from our expectations reflected in the forward-looking statements.

These factors are described in our most recent annual report on Form 10-K, for the year ended December 31, 2004 and our report on quarterly reports on Form 10-Q for the quarters ended March 31, 2005, June 30, 2005, and September 30, 2005 as filed with the SEC. Rent-A-Center undertakes no obligation to publicly update or revise any forward-looking statements. I'd now like to turn the call over to Mitch. Mitch?

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

Thanks David. Good morning, everyone. We are pleased with our performance in the fourth quarter. Our comp came in a little better than we had planned, at -0.2%, which helped us beat our earnings estimate.

The better than expected comp plus largely driven by being a bit less promotional in our upfront trial offers. As most of you know, the core business has been under some pressure in the last couple of years. And we've chased it a little bit in terms of being more aggressive in our upfront trial offers. Well in the fourth quarter, we decided to pull those promotional offers back a little bit and it paid off from a revenue perspective. And now overall, we're very pleased with the results from that change. And we now believe we could see flat to slightly positive comp in the first quarter of '06.

On the collections side of the business, in the fourth quarter we ran about what with did in the fall of '04. And in fact, as we sit here today, we are seeing credit numbers at historical lows. Most of you know our goal is to be at 6% or less past due each Saturday night. And this past Saturday we ended at 5%. So, pretty good numbers there on the collections side. And on the loss side, customer skips and stolens, those remain consistent in historic levels as well. So, on the collections and loss side we're very pleased with where we're at.

Our store consolidation plan that we announced last summer has been almost fully executed. In fact, of the 162 stores we addressed in the plan, there are only about a dozen left to deal with. And we're currently evaluating our options on those dozen or so. And this store rationalization plan has gone very well and we're on track to see the operating income benefits, as previously discussed.

From an inventory perspective, our held-for-rent inventory came down as expected to its lowest level of the year, as our held-for-rent percentage of our overall inventory ended at 21.5%. That's right on top of where we ended '04 and we remain very comfortable with our inventory levels. Speaking of inventory, we continue to look to add new products to our core rental business. We have successfully tested and are in the process of adding a 42-inch plasma TV into our line-up. In the next couple of months, we'll add smaller flat panel products in our line-up as well.

And you've heard us talk about the price deflation hurting us in the smaller screen sizes as 24 to 32 inch DRT TV's have become inexpensive commodities and therefore, not a rental item. Well, as flat panel TV's take over the category with a much higher retail price tag, we believe this opens the door for us to get that category back over the next few years. In terms of other 2006 initiatives from an operations standpoint, we'll continue as always to work on our execution, that's a constant from an operations standpoint. Additionally, we will continue to tweak our advertising initiatives as we strive to drive more traffic, including a new creative campaign that breaks February 27.

We're looking at all expense categories as we roll out a new procurement program that looks like it will help us control our costs even more. We will continue our new successful store opening plan with another 60 to 80 this year. Our new stores continue to perform, on average, at or above plan. And as always we'll look for opportunistic acquisitions. We will focus on additional training programs that could be put on our new online learning center, While we focus on increasing our coworker retention. I'm happy to report that we've now had two years in a row of improvement on retention, we will continue to look at programs, how we develop our employees, those types of things that could raise our retention even higher.

We will maintain our program at looking at an underperforming store and analyzing whether we should merge it into a nearby store or not. So in general, we'll continue to work on and improve on all aspects of the business as we dedicate ourselves to always improving results. And with that, I'll turn it over to Robert for the financial update.

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

Thank you, Mitch. I'd like to just spend a few quick moments here updating you on our income statement, our balance sheet and cash flow. After which I'll turn the call over to Mark Speese. I would like to reiterate that much of the information that I present today, whether it's historical or forecasted results, will be presented on a recurring and comparable basis. I know there's an awful lot of moving parts in this press release. We tried to be as transparent as we could about the results. But again, I'll be providing information that excludes nonrecurring items such as restructuring plan, hurricane losses, et cetera.

As it pertains to the income statement, as outlined in the press release, total revenues decreased during the fourth quarter by 0.4%. With diluted earnings per share declining 12.7% from the prior year to $0.48, which did exceed the high side of our forecasts. Now, on a reported GAAP basis for the quarter, the Company did earn 35.1 million or $0.50 per diluted share.

And the difference between the pro forma amount of $0.48 and the GAAP amount of $0.50 breaks down as follows; Starting with $0.50, there was a $0.02 reduction related to the restructuring plan, the majority of which as Mitch mentioned, has been completed; comprised of about 2.1 million in total charges. That was from three primary factors, 2.8 million in lease terminations, 1.5 million in fixed asset disposals, Offset by sales proceeds of 2.3 million for some stores that we did sell in the fourth quarter. And of course, all of these costs are included on a separate line on the income statement entitled Restructuring Charges. There's also a $0.01 reduction in hurricane-related charges, or approximately 1.1 million. All of which was associated with inventory losses and is included in the salaries and other line on the income statement.

As you can imagine, there was an awful lot of clean up work after the hurricanes, locating customers and so forth. And so lot of that inventory were related to inventory that were in the customers' homes. There was a 5% -- excuse me, $0.05 increase in diluted earnings per share due to reduction in state tax reserves. That was associated with the Company's restructuring at the end of 2002 and the result of a change in management's estimate relative to potential exposure items. All of which is reported within the income tax expense line on the income statement. So, starting with $0.48, you back out $0.02 for restructuring, back out $0.01 for hurricane, down to $0.48. Then you add $0.05 to get to $0.50.

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

Down to $0.45.

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

Down to $0.45 and then add the nickel, gets you back to $0.50. So, on a restructuring basis, $0.48 is the pro forma EPS that we are disclosing to you in the press release. Pro forma EBITDA for the quarter equates to a margin of 13.3% and totaled nearly 77.8 million. A 15.2% increase from the third quarter of 2005. And for the last 12 months, pro forma EBITDA totaled approximately $327 million for a margin of roughly 14% during the course of 2005.

As it relates to the balance sheet and cash flow, just a couple of pieces of information here. The Company did generate over 44 million in operating cash during the fourth quarter. And nearly 188 million for the entire year of 2005. After beginning the year with approximately 59 million on cash on hand, the Company has since utilized over 60 million in capital expenditures, CapEx, over 38 million in the acquisitions of stores and accounts and excess of 118 million in share repurchases. For a total of 5.9 million shares.

While still ending the quarter with approximately $58 million in cash on hand. At quarter end our consolidate leverage ratio was approximately 2.3 times. While our interest coverage ratio was in excess of 6.4 times. Debt to book cap at quarter end came in at 46.8%, with our outstanding indebtedness at just over 724 million. However as of tomorrow, our indebtedness will be just over 693, as we will have repaid roughly 30 million in indebtedness since the end of the year.

At which time our debt levels will be broken out as follows; About 345 million of senior term debt, 49 million outstanding under the revolver, leaving us with $93 million in capacity or availability within our revolver. And of course, the 300 million at 7.5% subordinated notes remain outstanding at this time. Currently, we have approximately 44 million in availability remaining under our Board-approved stock repurchase plan. Although, the senior credit facility and the indenture have restricted payments baskets around $100 million. So as you can see, our balance sheet remains strong and healthy as always. And provides us the liquidity and flexibility needed for us to continue to invest for the long-term, as well as to capitalize on any short-term opportunities related to share repurchase or otherwise.

In terms of guidance, we do anticipate, for the first quarter of 2006, total revenues to be in the range of 591 to 599 million. And diluted earnings per share to be between $0.48 and $0.52. For the full fiscal year ending December 31, 2006, we do expect total revenues between 2.33 billion and 2.36 billion. Now, that's down from our third quarter press release 20 or 30 million or so. That's largely due to the 37 stores that we sold during the fourth quarter. As you may recall, at the time of our third quarter earnings release, we had the majority of the consolidations related to the restructuring plan completed. However, there were still a few dozen stores or so that we wanted to sell. That did take place during the fourth quarter after our third quarter press release and so that's now factored into the guidance for all of 2006.

We do expect same-store sales to be flat to slightly positive for the year. And additionally, we're projecting 2006 EBITDA margins of between 14% and 15%. Diluted EPS is estimated to be in the range of $2 to $2.10, which does include the impact of stock option expense.

And I'll remind you as always, our guidance does exclude any potential benefits associated with additional debt repayments, stock repurchases or acquisitions that may be completed after the date of this press release. With the financial update, I'm now going to turn it over to Mark Speese, for the remainder of the call. Mark?

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

Thank you Robert and good morning everyone. As always, we certainly appreciate your time and interest in joining us this morning. And as you just heard from both Robert and Mitch, we are seeing some improvements in the business. And I'm especially pleased with how the operation team performed throughout the fourth quarter, particularly in the back half as well as thus far this year.

Now of course, February is pivotal month for us, given the large number of purchase options that we typically face, due to income tax refunds. Yet, I remain cautiously optimistic about the quarter and 2006 as a whole. I must say that I think the management team did a terrific job of handling the consolidation plan, integrating those stores into other Rent-A-Center locations, resolving the issues as it related to the stores affected by the hurricanes, and simply growing the business during the quarter itself. Now while we're obviously early into the quarter in the new year, as Mitch mentioned, we are seeing some positive trends in the quality of business, the expense control initiatives, delinquencies and so forth.

Now strategically in looking forward, we continue our new store initiatives, again having opened 28 stores in the fourth quarter, expect to add roughly 60 to 80 during this year. Additionally, we'll continue to pursue acquisitions where they make sense. And of course, we're continuing our expansion into the financial services arena, by adding those services into existing RAC locations. Specifically again, that is payday lending, check cashing and money transfer to name a few.

Now while the initial ramp-up has been a little slower than we had hoped, we currently have 43 stores offering these services, our outlook has not changed. The fact is, the licensing and permitting is taking a little longer than we had anticipated on the front end. However again, we expect to add those services to between 100 and 160 locations this year, with the belief that we can increase that even more so in outer years. I'll remind you on the front, we're testing a couple of different formats. In one case, which we call in-store, we're simply building a service counter in the back of the existing store next to the current customer transaction counter.

And in the other case, what we call boxed-in-a-box, we're building out a separate store, if you will, whereby we're taking some of the existing frontage, creating a separate entrance, putting up demising walls, et cetera. Now the CapEx spend for the two are approximately 30 to 35,000 for the in-store model, and 50 to 60,000 for the box-in-a-box concept. While both concepts are performing in line with our expectation at this point, it is too early to draw any conclusions between the two in terms of the overall or long-term results. Now, while we do not expect any meaningful contributions this year, again, there is a ramp-up period similar to rent to own.

We are excited about the prospects that these services could offer us for the future. All the while, as previously mentioned, we're seeing some positive trends in the core business. So, we're excited about what's going on both fronts. As Robert mentioned, the balance sheet, capital structure and cash flows remain very healthy. A strength of this Company, continues to give us the flexibility to execute our plans.

As before, we look to use our cash to enhance shareholder value by investing in the business, being in the new store openings, opportunistic acquisitions, certainly the expansion into the financial services and/or our share repurchase program. Now, we realize we still have much work to do and the next several months will be a telltale to the year as a whole. And while the potential impact to continued rising fuel and energy costs remain a concern, I am pleased with our current results, our current direction, and I offer my thanks to all of the coworkers for their hard efforts over the last several months and, of course, to you for your continued interest in support of the Company. Now with that, we'd now like to go ahead and open the call up for questions.

QUESTIONS AND ANSWERS

Operator

[OPERATOR INSTRUCTIONS] Our first response comes from the line of Arvind Bhatia with Sterne, Agee.

Craig Bell - *Sterne, Agee & Leach Group, Inc. - Analyst*

Good morning. It's actually Craig Bell in for Arvind. Just wondering, as you move forward with the financial services, are you going to break that out separately in your reporting or is it just going to fall in with the fee line?

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

It will fall in with the fee -- well, it actually, I think it's in other income right now.

Craig Bell - *Sterne, Agee & Leach Group, Inc. - Analyst*

Okay.

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

It's not going to be broken out separately. Obviously, when you get to this point where it becomes a major part of the business, we may get to a point where we're breaking it out separately. But right now it's falling in the other income line on the income statement.

Craig Bell - *Sterne, Agee & Leach Group, Inc. - Analyst*

And with the expansion into that, you're talking , 10 to 15 stores in Q1. How does that ramp up over the rest of the year? Are we going to see a similar amount in Q2 with the big expansion in the second half or is it going to be more linear through the second -- through fourth quarter?

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

I would say it's a building process. Where the 15 or so in the first quarter builds to where at the end of the year, you had a run rate to 30 or so -- 30 or 40 or so a quarter. So, it builds throughout the course of the year. It's more back end loaded but the second quarter will be higher than the first. And so forth.

Craig Bell - *Sterne, Agee & Leach Group, Inc. - Analyst*

Okay. And then how many -- after all of the store closures, how many stores are in your comp base now?

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

About --

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

360, give or take a couple.

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

87% of our stores basically. And they're, on average, about 6.7 years old under our business model.

Craig Bell - *Sterne, Agee & Leach Group, Inc. - Analyst*

All right. Great. Thank you.

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

Thanks, Craig.

Operator

Our next response comes from the line of Dennis Telzrow with Stephens, Inc.

Dennis Telzrow - *Stephens, Inc. - Analyst*

On the core business, obviously, it was a good comp number from a trend standpoint. Is there anything that you felt you were doing, or is it just you mentioned you backed off the advertising or the promotions. Anything else going on there -- or just grind it out like Woody Hayes it used to do?

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

No. Well, we didn't back off any advertising. We're advertising at our normal amount both on television and through flyers. Traffic was where we expected it. And when we backed off some of the promotional offers, those upfront offers and certainly drove the revenue and worked out pretty well for us. And continues to work as we go in the first quarter. But really that was what helped drive that above the -- primarily drive it above where we thought it would be.

Dennis Telzrow - *Stephens, Inc. - Analyst*

And on the financial service side, I think there's some initiatives that might lower the cost in the box-in-the-box. I think there's some software and hardware things going on? Is that correct?

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

We're not -- I don't think we're in a position right now to really make any forecasts about what that might do. But from a cash management perspective and some other build-out costs, we're looking at a few different things. But we're not ready to make that change in our model, per se, that's flowing through the forecast.

Dennis Telzrow - *Stephens, Inc. - Analyst*

Okay.

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

It's not far enough along.

Dennis Telzrow - *Stephens, Inc. - Analyst*

And Robert, last question. Any comment on excess cash flow this year? Free cash generation?

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

Yes, for 2006, we're estimating the free cash flow is going to be between 100, and 120 million, which is kind of what we've said. Operating cash around a couple of hundred million. So, that's consistent with what we've said in the past. And that also takes into consideration the new stores that we'll be opening. The 60 day that Mark mentioned. So, that hasn't changed. And then in terms of the initiatives, we'll -- as it relates to opportunistic acquisitions or share repurchase, obviously that will be something to take into consideration. But the financial services and the core business and the new store initiatives are our main focus right now.

Dennis Telzrow - *Stephens, Inc. - Analyst*

All right. Thank you so much.

Operator

Our next response comes from the line of Henry Coffey with Ferris, Baker Watts.

Henry Coffey - *Ferris, Baker Watts Inc. - Analyst*

Good morning. Great quarter, obviously. Just a couple of detail questions. Can you give me some sense of what your store level depreciation was in the fourth quarter and for the full year?

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

Are you referring to --

Henry Coffey - *Ferris, Baker Watts Inc. - Analyst*

The real -- yes -- PP&E depreciation.

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

For the fourth quarter PP&E depreciation at the store level was around 12 million. 11.5 to12 million at the store level. I didn't hear the rest of your question.

Henry Coffey - *Ferris, Baker Watts Inc. - Analyst*

What was it for the full year?

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

47 million.

Henry Coffey - *Ferris, Baker Watts Inc. - Analyst*

And you made some comment on debt levels and cash as of today as well as some of the restrictions tied to your senior line. Where are you in terms of current cash levels and can you give us some update on what you would do on buying back stock? Are you likely to increase that program?

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

Yes. The point, Henry, and appreciate the question. Obviously, some of the others that have listened in to us the past, some of the information I provided was to update them. Through our Board authorized stock repurchase plan, we have about 44 million remaining that have been authorized by the Board. Now, we also under our debt covenants, be it the senior credit facility or our indenture, have restricted payments baskets that limit our ability to make share repurchases. However, that limit is about 100 million as we stand here today. And that basket does build over time. The point being, if the Company felt like it was in a position to make significant share repurchases once again, all we would need to theoretically is to go back to the Board and get authorization to increase that level above where it is today, to more closely align itself with our debt covenants. In terms of what our plans are, as I just said, our primary focus right now is the financial services initiatives and the new store opening plan. Albeit, there's excess cash flow, whether or not we deploy that capital to do share repurchases, will largely depend on how the stock reacts over time and the opportunities that we see going forward.

Henry Coffey - *Ferris, Baker Watts Inc. - Analyst*

Again, like you mentioned, we are a little new to the stock. When you say $100 million, that means $100 million of buying capacity?

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

Correct.

Henry Coffey - *Ferris, Baker Watts Inc. - Analyst*

So in other words under your debt covenants you could buy $100 million of stock today.

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

That's correct.

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

That grows each quarter.

Henry Coffey - *Ferris, Baker Watts Inc. - Analyst*

Exactly. And finally, I was looking at your conference call and comments from 90 days ago. There seems to be a whole lot more optimism building around 2006. Can you give us some insight into where you think same-store sales are going to go and why they're going to improve?

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

Well, we did change the guidance from flat to slightly positive.

Henry Coffey - *Ferris, Baker Watts Inc. - Analyst*

Right. Exactly.

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

What we saw in the fourth quarter and so far in the first quarter is what leads to that, really with the little bit of change we've made in the not being quite so promotional on the front end of the rental agreement where the trial offers are not quite as big as what we had been doing. It gives us optimism based on how is that performing in the fourth quarter revenue-wise and how we're performing so far in the first quarter.

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

And traffic is at levels that -- we're -- are good -- what we expected or maybe even a little better.

Henry Coffey - *Ferris, Baker Watts Inc. - Analyst*

So, some of the good news in the fourth quarter is likely to spill over. It's transferable into the future?

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

Yes. And the other thing, Henry, I think as I alluded, obviously energy costs got way out of hand.

Henry Coffey - *Ferris, Baker Watts Inc. - Analyst*

Right.

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

In the fall of last year. They've subsided a little bit and seem to be holding. Of course, people adapt, so that's helped a little bit. In this current environment, gives us a little bit more optimism. Yes.

Henry Coffey - *Ferris, Baker Watts Inc. - Analyst*

Well, great fourth quarter. And we're looking forward to a real solid 2006. Thank you.

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

Thank you.

Operator

Our next response comes from the line of Alan Rifkin with Lehman Brothers.

Priya Ashley - *Lehman Brothers - Analyst*

Hi. This is Priya Ashley in for Alan. I just had a quick question about going back to your thoughts just now on energy costs and people adapting. Have you guys actually baked into your assumptions any spike or are you just assuming that energy costs are going to kind of remain where they are right now?

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

Certainly from our own cost structure standpoint, we've got some assumptions built in about current levels and then normal inflationary stuff. And when I say current levels, that's taking into consideration the ramp-up we saw in the fourth quarter and so far during this winter, from an energy standpoint, for our stores, our fleet of vehicles and so forth. In terms of our customer side, I don't think we have any assumptions that are based on the fact that customers will come in at higher levels in the last few quarters do to the fact they've adapted. We haven't necessarily made that assumption. So, from Mark's standpoint to the extent that does occur, that's upside to what we're forecasting today.

Priya Ashley - *Lehman Brothers - Analyst*

Okay. And can you provide some color as to exactly when you're going to be rolling out some of these new products in the stores? Like the new 42 inch TV's and some of the other flat panels?

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

The 42 inch TV's that we tested in '05, also are getting 42 inch TV's over the next ten days here in February. And some of the smaller screen sizes in flat panel, we have one in the line-up now that's part of a home theatre system. And as individual units, some of the smaller ones will be hitting in the spring, April and May.

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

Which is consistent with more of when the manufacturers will be introducing some of that product. And it will reflect the current pricing and so forth.

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

Yes. Kind of the model-year changeover is always in the spring on the electronics side.

Priya Ashley - *Lehman Brothers - Analyst*

Okay. Great. Thank you.

Operator

Our next response comes from the line of Mark Kaufman with Gradient Partners.

Mark Kaufman - *Gradient Partners - Analyst*

Hi, gentlemen. I've got just a couple of housekeeping questions. First, how much was spent for merchandise purchases in the quarter? And I guess what's tied to that, how much was the rental depreciation for the quarter, if you have that?

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

The depreciation in the quarter was about 111 million. And the purchases in the fourth quarter were a little bit in excess of that. I don't have the exact number. But the fourth quarter is generally our highest purchase quarter anyways. So, 111 million depreciation. And the purchases were a little bit north of that.

Mark Kaufman - *Gradient Partners - Analyst*

A question about the full-year. Do you know what your operating leases were, rental expense for the full-year? And if you have any percentage increase estimates going forward on that for 2006?

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

The rent expense -- excuse me for all of '05 was about 157 million at the store level. And because we know those lease terms, a lot of that's into the forecast in terms of escalation clauses and so forth. Otherwise normal inflation, I think it's 4% to 5% on the lease side. We're projecting up off of the 157 million.

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

It may not be quite that high. Because again, the consolidation and sales.

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

So the 4% may be the customary inflation with those that are remaining. But it won't be a 4% or 5% increase off of the '05 end number because of the 115 or so consolidations, coupled with the 37 or so that were sold.

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

150 out of the 162 under the consolidation plan have been completed.

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

They will be maybe $2 million higher than the '05, 157 million.

Mark Kaufman - *Gradient Partners - Analyst*

Okay. The salaries and other expense were up 10 million. I remember on the last call you were thinking energy was going to be about 6 million. Did that come in about as you expected ?

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

Yes. And you're looking at year-over-year.

Mark Kaufman - *Gradient Partners - Analyst*

Right. Looking at year-over-year up 10 million. Right.

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

And one of the ways -- you're right. A lot of that has to do with our own operating costs. Be it gas for our vehicles, utilities and so forth, that's impacting us in the fourth quarter about $1.5 million to $2 million. Well, about $3 million. That was just gas. Between gas and utilities it was about 3 million more in the quarter of '05 over '04. Sequentially, though, the salaries and other line was down about 6 million, which is showing you the impact of the store consolidation plan. Our last call in the third quarter, we had the majority of our mergers completed at that point in time. And a lot of those costs had been baked into our consideration at that time. And you're seeing the benefit of that restructuring plan in the mergers this quarter, compared to the third quarter.

Mark Kaufman - *Gradient Partners - Analyst*

Okay. Thanks very much.

Operator

Our next response comes from the line of Dennis Van Zelfden with SunTrust Robinson Humphrey.

Dennis Van Zelfden - *SunTrust Robinson Humphrey - Analyst*

Good morning, everyone. I was wondering with the new plasma or LCD TV's are more delicate than the other ones? And might that represent some -- if your own people drop them or if the customer drops them, is that going to result in more charge-offs?

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

We -- they certainly are more --

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

Delicate.

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

Delicate. Sorry. More delicate than the older CRT TV's. But we've tested them for about a year. And we've not seen that, Dennis, in the tests. We've tested them in about 100 stores and just gave not seen that problem. So will we have another charge-off or two? The answer is probably. But we certainly don't see it as -- based on the tests for about a year, we don't see it as anything material.

Dennis Van Zelfden - *SunTrust Robinson Humphrey - Analyst*

Will the turns be any better on that than the ones you're retiring?

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

No. The turns won't be, the dollars -- the gross dollars are better because they're more expensive. But the overall turn won't be any different.

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

Frankly, Dennis, I think when you think long-term, where an opportunity exists as we get away from CRT's and the Plasma LCD, particularly in those lower ends, as Mitch alluded to, those 24, 27-inch CRT's have become commodities. And as this new technology comes out at a higher price point, it certainly -- well there's a couple of points there for us. We think the demand on the lower end TV's is going to increase from what we've experienced the last couple of years. And it certainly comes with a higher revenue stream on a per unit basis. Turn we don't want look to be any different. But certainly from a weekly rental rate perspective --

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

Dennis, how much we've lost in that category on those -- when you first probably starting covering this business, 24, 25-inch TV's were probably $600 in retail and they were a rental item. Now they're $150. $100 even on a 20-inch TV. So, when those flat screen 25, 27, 30-inch TV's are back up at $700, $800 retail and the demand is there. And the CRT TV's are virtually gone over the next couple of years, it could be an opportunity for us to get that category back.

Dennis Van Zelfden - *SunTrust Robinson Humphrey - Analyst*

Right. Okay. Just moving onto miscellaneous other things. How are the sort of the original 43 stores that were offering the payday loans and such, how are they doing?

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

They're actually doing well. Certainly in line with our expectation. Now, we need to quantify a little bit. When you think -- of course, we're still learning, candidly, some of this business. There is a little bit of seasonality in that business. And as you think about it, December and January are really the higher demand months. January to get money for holiday shopping, handling and other expenses. January they're catching up. February, as we're learning and have been told, typically is the lowest demand month. Again, people have income tax refunds, they're settling up, they're getting caught up.

And so we're going through this trough, if you will or we expect to. But what we've seen in the first couple of months in those stores that have been opened, we are very encouraged about the business model and about the opportunity. Again, the 43 total includes the 27 ColorTymes that we acquired. So, it's 16 that we've added into the Rent-A-Centers locations. The average store of those 16 has been open call it 1.5 months now. But again, we feel good about what we're seeing in terms of loan balances, the number of loans that are going out. The delinquencies or losses that we're running is very favorable.

But quite candidly, we're just very early into this and we're now going into the season where the demand is the weakest. And so, quite honestly probably, it probably will be, from our perspective, we think out in terms of May, June before we really start to get the feel of how it's behaving and what the expectation can be.

Dennis Van Zelfden - *SunTrust Robinson Humphrey - Analyst*

What about on those 27 original stores? Have they had it more than a year, even if you did not own them, they had it more than a year?

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

Yes. They've had it a couple of years. And I can tell you that they were doing -- I think we had mentioned they were doing quite well at the time we acquired them. And in fact, they continue to perform quite well. And in some regards we've even made improvements from where they were. I think I indicated in the last conference call, that those stores were doing approximately 20,000 a month in fee revenues.

Dennis Van Zelfden - *SunTrust Robinson Humphrey - Analyst*

Right. Okay. What about -- do you have any appreciable losses when you open up one of these, either in your store, or a store within a store, or whatever?

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

Well, make sure I understand your question when you say losses. Are you referring -- obviously, there's the original start up. Like a rent to own store, there's no revenue initially. In theory if you make loans today, the inventory, if you will, is cash. Giving you $300. We don't get any revenue until that loan matures, which is two weeks from now. And so at the time when you pay off the loan and it's then that we recognize the fee associated with it.

So, very much like a rent to own business there's an outlay of capital on the front end. You get very little revenue until you build up the base of contracts. But then as you get out six months and you've now got this recurring large base of contracts and they're maturing every couple of weeks. And you're then collecting the fee, is when you start to break even and turn a profit. So, it behaves pretty similar to the rent to own model. We're not seeing any -- again, early into it. But there's certainly no drag on the rent to own store. No fall off of business.

Of course, one of things that we hope to be able to accomplish is enhance the results of both of these otherwise, because they're in the same location. So, might we get more financial service or payday loans because of the embedded traffic in the rental business? And in addition, by drawing more traffic into the financial services, do we by default get more rent to own business? It's too early to draw those conclusions. But obviously, that's part of the mindset that we're going in with this, is we think about leveraging real estate, marketing and advertising, the customer base and so forth. But the fact is, we just need more time to bear all that out.

Dennis Van Zelfden - *SunTrust Robinson Humphrey - Analyst*

Okay. Well, my last question deals with going back to the core rent to own business and not promoting as much and that positive impact on revenue. What can you tell us about the number of customers per comp store? What are those trends? Mitch talked a little bit about traffic. Never said exactly what it was but said it was in line. But what about the customers for a comp store?

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

They're about where we expected in the quarter. And it was really the additional revenue that drove the comp better than what we expected. Our guidance was -1 to -2. And then the customer side ended in the quarter, as we sit here today, is about where we had expected it to be. And the extra revenue was driven from being a little less promotional. So we didn't -- it wasn't down based on the fact that we were less promotional.

Dennis Van Zelfden - *SunTrust Robinson Humphrey - Analyst*

But are the number customers per comp store growing yet?

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

Certainly, sequentially they did, yes.

David Carpenter - *Rent-A-Center - IR*

Sequentially, they did grow from the third quarter to the fourth quarter, yes.

Dennis Van Zelfden - *SunTrust Robinson Humphrey - Analyst*

Okay. Thanks, everyone.

Operator

Our next response comes from the line of Shaumo Sadhukhan with Basswood Partners.

Shaumo Sadhukhan - *Basswood Partners - Analyst*

I have a few questions. The first one is; in the last few quarters we had talked about how there was a large impact on overall comps from the low end consumer electronics. And there was sort of a line in the press release this quarter that suggested that the impact of that has been waning recently. I'm just wondering what percentage of the business now that's down to and how those categories are comping right now?

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

I don't think we have the exact numbers.

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

I don't have the percent in front of me. The numbers we have looked at, it seemed to have bottomed out and the percentage has flattened out the last few months, quarter. In the fourth quarter, they've kind of flattened out. I don't have the percentage in front of me. But again, it seems to have flattened out and we've kind of hit bottom. And as I was mentioning before, some of those categories, we're optimistic about being able to get back over the next couple of years with this new technology.

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

Just year-over-year if you look at the revenue -- and again, I don't have it in front of us. Obviously, dollars are down. But I think the more important point, as Mitch alluded to, is you look at the last quarter or two sequentially, that is starting to flatline. So we again, feel that we've kind of hit that trough. And then again, with some of the new technology that will be coming out, does that pendulum start to swing? it's too early to say. But obviously, some of the indicators are feeling and looking good.

Shaumo Sadhukhan - *Basswood Partners - Analyst*

And that is now a much smaller percentage of the business than it was, let's say two years ago when it was like 20% of the business?

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

Certainly. Certainly. Whether that's the small TV's, some of the stereo category and/or the video category. There's two points there in terms of the number of units on rent; they are certainly a smaller number than they were two years ago. Coupled with the fact those that we have on rent are at a lower revenue stream than they were a couple of years ago. So by way of example, that 25-inch portable might have been $15 a week two years ago and today it's $9 a week, as an example. And you've got 1/3 as many of them, or 0.5. Whatever the exact number is.

David Carpenter - *Rent-A-Center - IR*

Electronics, three years ago made up approximately 25% of our inventory. 10% or less today.

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

It seems to have flattened out.

David Carpenter - *Rent-A-Center - IR*

Right.

Shaumo Sadhukhan - *Basswood Partners - Analyst*

In term the of the cost reduction plans that you mentioned in the opening statement, can you just tell us a little bit more in terms of details about sort of what the elements of that are and what you expect might be the impact?

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

Yes. And we alluded to this on the third quarter conference call, but right now we're in the process of beta testing a format, whereby we are focusing on the store level, operating costs, disposable costs, ie. store supplies, office supplies, parts, et cetera. In the past, all of those purchases were done at the store level by the local operator. We were not capitalizing on our size and our purchasing power. We partnered with another Company. And they've helped us build an online system to allow us to negotiate contracts with providers out in the office supplies, store supply space, parts, et cetera, to get discounts based on our volume buying.

And the point is there; are we able to streamline operations out in the field, the ordering process, lower costs to the Company, et cetera? The impact there is 4 to 5 million over the course of the year once year up and running. But that's -- when you look at our salaries and other line, it certainly is a small piece of the overall costs when you take into consideration labor, occupancy, other costs that this system isn't necessarily addressing. But the point is; we're putting in a program and a process to control some of those other miscellaneous costs to ensure they don't get away from us in the future.

Shaumo Sadhukhan - *Basswood Partners - Analyst*

In terms of where the business stands right now, what comp level do you need, generally, do you feel to leverage margins going forward?

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

Well historically we've talked about top guidance on a normal run rate, we would anticipate 1% to 3% on a normal recurring basis. And that's something that after we kind of get back to the levels where we were historically, we are confident that we're able to at least maintain margins. Not necessarily leveraging enhanced margins due to the impact of inflation and other costs in that regard. Now certainly, part of that's driven by the number of new stores you open year-over-year, acquisitions you make and so forth. And to some extent, if we're running a 1% to 3% comp on a recurring basis, we would not anticipate margins expanding.

However, you ramp up the number of new stores, you make more acquisitions, that would have an impact. That's not what we're necessarily forecasting today. So, if you go back historically, a few quarters ago and we talked about; every incremental dollar of comp revenue, about 50% of that flows to the bottom line. Well, part of that's eaten up by our new stores and other initiatives as well. So, last year we ended with an EBITDA margin for the year of about 14%. Based on our flat to slightly positive comp forecast that we've given, we're also forecasting that EBITDA margin of 14% to 15%. So, that kind of shows you the impact of the comps and so forth.

Shaumo Sadhukhan - *Basswood Partners - Analyst*

What I'm trying to get a sense of is; at one point in time, Rent-A-Center was 500 basis points better in EBITDA margin that they are -- than you guys are going to come in for this year. And what's the prospect of -- sort of over the long-term. I don't mean next year or anything like that. But over, let's say, the next five years of the margin -- is the margin sort of the 14% we're talking about, maybe 19% where you were before, or somewhere in between? Do you guys need comps of 4% to 5% to get back to that level? Or if you comp at, let's say, 2% on average, do you feel like you could make progress back towards where you were at one point in time?

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

I think if we get to a recurring run rate of a 2+% comp, we'll start seeing that flow through that Robert spoke of and that will start to grow back up to 19. Candidly, will we get back to 19? I don't know. I wouldn't forecast that sitting here today. Our size, obviously the consolidation plan, as we've alluded to, has given us some benefit. We've talked about some of the cannibalization that we've done to ourself. And that's still a good strategy, as long as it's not overabused, if you will. But to grow the overall market at a little bit of an expense of another store, there is some benefit in that. And I say that, when we were at 19%, we had 700, 800 -- well, we had just gotten to 2,000 stores. But as we continue to back fill some of these markets, candidly, if we can get back to somewhere in between that; 16% or 17%, I would personally be very pleased.

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

I think you're right. With 2+ comps, we'd get somewhere in between over a period of time. But probably not to the 19.

Shaumo Sadhukhan - *Basswood Partners - Analyst*

Okay. The last --

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

Certainly the financial services. Now, How does that play into it? Again, too early to start -- we're excited about that business. We think it's got some real prospects. We've talked about the 35 states that have enabling legislation. We've got 1,800 stores in those 35 states. It's not to say that we can do it in all of those locations for a variety of reasons. But to the exact extent we continue to roll that out and ramp-up stores, adding that, that will certainly

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Shaumo Sadhukhan - *Basswood Partners - Analyst*

You just said --

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

No question.

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

That will go a long way to helping us move that. And then it just becomes a law of numbers. How many do we have it in and where are they at that point in time?

Shaumo Sadhukhan - *Basswood Partners - Analyst*

The last thing is; in terms of gas prices, if gas prices stay stable, has the impact -- the low end consumer, your consumer, has that impact sort of now been felt fully by the low-income consumer, or is there sort of a phasing in of that effect? Do you have any sort of color on that? Basically, assuming there's no additional sort of increase in prices, has Rent-A-Center sort of felt the worst of the effect of that? At this point, is the consumer sort of completely adjusted to that affect?

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

Yes, we think so. Certainly, as it relates to fuel, gas for the car. And all of us adjust over time. It takes a little bit of a transition, adjust the budget and spending and so forth. And generally speaking, we think that is the case. Obviously, we had some concerns, still have some concerns. There's been a lot of talk about utility bills and what might happen there this winter. Fortunately, it's been pretty mild winter throughout the country.

And now you even hear utility companies lowering the rate a little bit. It's still up from the last year but not the increase that they originally anticipated this year was going to see. So, again I alluded to that. I'm cautiously optimistic. We still have some concern about it. But the fact it's been a mild winter, the fact that the gas prices came down a little bit and have held somewhat steady the last few months; gives us some reason for optimism. But it's cautious. But ultimately, yes, people adjust. And again, what we're seeing right now supports that.

Shaumo Sadhukhan - *Basswood Partners - Analyst*

Right. Thanks, guys. I appreciate the help.

Operator

Our next response comes from the line of Chris Horvers, Bear Stearns.

Chris Horvers - *Bear, Stearns & Co. - Analyst*

I wanted to ask about the payday lending. I had modeled in the fourth quarter that you would have added an additional 25 to the original that you had at the end of the third quarter. And I saw you were talking about a run rate of 25 to 40 in 2006. Was there a change? And, if so, what drove maybe pulling back on the speed to market with this?

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

Yes, Chris, what really it's not a change in our outlook or anything. It's really been driven by the process of getting licensed and titled has been a little -- I don't know of problematic is the right word. It's certainly been more time consuming than we had originally thought or had hoped. And we know there's a lot involved to get registered, licensed and so forth. And we've been trying to be proactive on that, even looking at states that we don't have anything yet. But the fact is even when it gets down to putting that individual location in, there's a whole series of licensing requirements that you have to go through. And the fact is it takes quite a bit of time.

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

And waiting periods once the application is submitted.

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

That's right. You've got to submit -- and there's quite a bit you have to submit and comply with and they've got to do their background checks and compliance. And it's just a little more timely than we had originally anticipated. That is the only reason it was 16 thus far. And our outlook in the first quarter being down slightly, again, is driven by that. Not our belief about the prospects or the stores we can put it in. We've got -- the fact is we speak -- we have, that I know of four locations built out and ready to go but we can't do anything. Because we don't have the license yet. And so we're kind of waiting, which candidly, is a little frustrating.

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

But overall the '06 expectation hasn't changed.

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

No. We'll still get the 100 to 160 for the year. It may just be a little more back end loaded than smoothed out, as we originally thought.

Chris Horvers - *Bear, Stearns & Co. - Analyst*

Can you get to the -- thinking about, maybe in the fourth quarter next year you end up in the 25 to 40 range. And is that an appropriate number on a quarterly basis to think about for '07 as well?

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

Well, I'd like to think we could ramp it up a little bit in '07. If it's 100 to 160 this year, 25 to 40 a quarter; I'd like to think maybe it's 40 to 60 a quarter in '07. So, it's 160 to 250. Or closer to the 250 ideally.

Chris Horvers - *Bear, Stearns & Co. - Analyst*

Got it. And a follow-up of questions for the low-income consumer. Is there something you're seeing with new account growth or lower rate of returns and delinquencies that's making you feel like; "you know what, the low-income consumer, we're at a truck, it's starting to maybe peak around the corner a little bit"?

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

I think probably just the two things that give us comfort is that the traffic levels in the fourth quarter and so far in the first quarter, as well as the collections numbers being at historical lows. So we're -- that gives us pretty good comfort. Really more on the collection side than anything, Chris.

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

We have seen a little bit -- we've talked about this in the past. It doesn't vary a whole lot. But the average number of units that a customer may have is down slightly from 1.59 to about 1.52. And I think that speaks a little bit to the impact that higher energy costs has had on them. Some customers renting only one unit instead of two. But at the same time, as Mitch alluded to, is that the byproduct of the lower collections, they're ability to hoard the one and pay on time and where they -- or having to pay for two. Pick-ups have come down a little bit. And so that all bodes well. It's hard to say with absolute certainty which ones driving which. Although we've got our feelings about it. But it feels pretty good.

Chris Horvers - *Bear, Stearns & Co. - Analyst*

And then just finally as a follow-up to that, it seems like 2006 is -- generally it's not too seasonal of a business. And it seems like you're expecting really trends to get -- accelerate as the year progresses?

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

I'm not sure I understood your question.

Chris Horvers - *Bear, Stearns & Co. - Analyst*

Is it a fair assessment to say that; based on a 2.00 to 2.10 guidance, and about 50 on the mid-point in the first quarter, is seems like you expect the business to get better as the year progresses and be a little bit back end loaded on the EPS side?

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

Well, there's a little bit of seasonality in our business. If you go back and look at historical last year, or two years and so forth, the third quarter, in fact typically, is our lowest quarter of the year. First quarter, we do get some benefit. It's a little bit of a double edged sword. We get a benefit of the early purchase options because of income tax refunds. So, we see a lot more payouts and early purchase options and cash sales. But of course the margin is not as good and the recurring revenue stream is gone, unless you replace it. But I don't think -- no, you can't say that each quarter builds off another. The Third quarter will be historically, as always, down.

Robert Davis - *Rent-A-Center - CFO, Principal Accounting Officer, SVP of Fin. and Treasurer*

Not down year-over-year necessarily, but down --

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

Sequentially.

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

Right, yes.

Chris Horvers - *Bear, Stearns & Co. - Analyst*

Excellent, guys. Thanks.

Operator

Our next response comes from the line of Brian Nelson with Stifel, Nicolaus.

Brian Nelson - *Stifel, Nicolaus & Co. - Analyst*

Good morning. Sitting in for John Baugh. Just a couple of questions here quickly. I was pleased to see the percent of inventory held for sale come down quite a bit in the quarter. And I was wondering what were the main drivers there? It's that just getting those bulk purchases you made earlier in the year out on rent? And where you'd like to see that number settle out on a long-term basis?

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

I think that's certainly part of it. The bulk purchases that we had talked about earlier in the year certainly are out on rent now. A lot of it's -- or some of it is seasonality. We expect it to get down that it. The same thing happened last year, we got down do 21.5% in the fourth quarter. So, some of it is seasonality.

We'd certainly like to stay in that range. We're probably -- historically, the summer time it's usually a little higher than it is at the end of the first or fourth quarter. Our lowest quarters for that number are usually the quarter that ends December 31 and March 31. And then the June and September quarters are a little bit higher. So, we don't see as something that would be flatlined at 21.5. We might be lower by the end of the first quarter, but then it historically would go up a little bit at the second and third quarter.

What we manage from an operations standpoint is just overall pieces of idle and age of idle. We manage that constantly from an operations standpoint. And again, the overall number of pieces as well as the age of anything over 90 days we're all over and stuff like that. So, it won't straight line like that, Brian. It will have dips and it will be a little bit higher in the summer and then dip again in those other quarters, like I just mentioned.

Brian Nelson - *Stifel, Nicolaus & Co. - Analyst*

Okay. Thanks. Also can you talk a little bit -- following up on the early purchase options. It's always important this time of year for you to have a high conversion rate and getting those customers converted to new contracts. Can you talk about the incentives or promotions that you're going to have this year in order to get people signed up for new contracts versus what you did last year number in light of your lower promotional stance?

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

That's a good question. The program for anyone paying out anything is the same as we've used the last few years. So, we're not cutting that part of the promotion out. Where it can be as much as a month's free on a trial -- to convert into something else could be as much as a month. Again, these are our best customers. They've already paid out something. And the offers kind of escalate over a period of time if they don't rent something right away, it could get as high as month with a mailing that goes to the customer. But it's the same as what we've done over the last few years.

Brian Nelson - *Stifel, Nicolaus & Co. - Analyst*

Okay. So, most of the change to the promotions are on newly originated contract?

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

Newly originated or second or third contracts for current customers. But not on a pay-out side.

Brian Nelson - *Stifel, Nicolaus & Co. - Analyst*

Okay. Thanks a lot.

Operator

Thank you, gentlemen. We have reached to the end of the time for the allotted time for questions and answers. Are there any closing remarks?

Mark Speese - *Rent-A-Center - Chairman, CEO and Chairman of Fin. Committee*

Well, as always we again appreciate your time and interest in joining us. As we alluded too, we're obviously pleased with the current tone of business and how the quarter ended. Remain cautiously optimistic. And we've got still a lot of work and some opportunities to take advantage of. But I think we're doing a good job of taking -- realizing all of those. And we look forward to reporting back to you next quarter with first quarter results. So again thank you very much. As always, if you have follow-up questions, feel free to contact any of us. And we look forward to talking you all again soon. Thank you.

Operator

Thank you for participating in today's teleconference. You may now disconnect.
