



November 29, 2007

Conn's, Inc. Reports Earnings for the Quarter Ended October 31, 2007

BEAUMONT, Texas, Nov 29, 2007 (BUSINESS WIRE) -- Conn's, Inc. (NASDAQ/NM:CONN), a specialty retailer of home appliances, consumer electronics, computers, lawn and garden products, furniture and mattresses, today announced earnings results for the quarter and nine months ended October 31, 2007.

Net income for the third fiscal quarter was \$4.0 million, compared with \$7.2 million for the third quarter of last year, a decline of 43.8%, due to a non-cash decrease in the fair value of the Company's interests in securitized assets. Diluted earnings per share declined 43.3% to \$0.17, compared with \$0.30 for the third quarter of last year. Net income for the quarter ended October 31, 2007, includes a non-cash charge, net of tax, of \$2.6 million, or \$0.11 per diluted share, to reduce the fair value of the Company's "Interests in securitized assets." The reduction in fair value was driven by external financial market conditions, which resulted in an increase in the risk premium included in the discount rate assumption used in the Company's determination of the fair value of its "Interests in securitized assets," and was not related to the performance of the Company's credit portfolio. Total revenues for the quarter ended October 31, 2007, increased 9.0% to \$189.4 million compared with \$173.7 million for the quarter ended October 31, 2006. This increase in revenues included increases in net sales of \$17.7 million, or 11.6%, and a decrease in "Finance charges and other" of \$2.0 million, or 9.3%. "Finance charges and other" declined due to the non-cash fair value charge discussed above, which totaled \$4.0 million before taxes. Same store sales (revenues earned in stores operated for the entirety of both periods) increased 6.8% for the third quarter of fiscal 2008.

The credit portfolio experienced rising delinquencies during the third quarter, though at a slightly slower pace than in the prior year quarter. Additionally, the annualized net charge-off rate rose to 2.7% for the nine months ended October 31, 2007. More information on the credit portfolio and its performance may be found in the table included with this press release and in the Company's filing with the Securities and Exchange Commission on Form 10-Q which will be filed later today.

During the first quarter of fiscal 2008 the Company adopted several new accounting pronouncements related to the accounting for its "Interests in securitized assets." This change in accounting was adopted effective February 1, 2007, and prior periods were not adjusted. These pronouncements resulted in the Company electing to account for its interests in securitized assets at fair value, with all changes in the fair value included in "Finance charges and other." Under the fair value accounting pronouncements, the Company is required to value the interests in securitized assets using assumptions it believes a market participant would use to value the asset. During the third quarter of fiscal 2008, "Finance charges and other" was reduced \$4.0 million by the non-cash fair value adjustment, which was driven primarily by a higher discount rate assumption. The risk premium included in the discount rate assumption was increased principally due to external market conditions, and was not a result of changes in the underlying economics or expected cash flows of the securitization program. Due to the turmoil in the financial markets during the third quarter of fiscal 2008, the Company evaluated the risk premium included in the discount rate used in its discounted cash flow analysis. After discussions with its bankers and review of available market information, the Company estimated that, due to increases in the risk premiums expected for many securities, especially asset-backed securities, under the volatile market conditions experienced during the third quarter, a market participant would require a higher return on their investment if they were to purchase the Company's interests in securitized assets. The increase in the discount rate had the effect of reducing the current fair value of the asset and deferring earnings under the securitization program to future periods, but did not permanently reduce securitization income or the earnings of the Company. The deferred earnings will be recognized in future periods as interest income on the interests in securitized assets as the actual cash flows from the receivables are realized. More information on these changes may be found in the notes to the financial statements in the Company's filing with the Securities and Exchange Commission on Form 10-Q which will be filed later today.

Net income for the nine months ended October 31, 2007, declined 3.7% to \$26.6 million compared with \$27.6 million for the prior year. Diluted earnings per share for the nine months ended October 31, 2007, were \$1.11 compared with \$1.14 in the prior year period. Net income for the nine months ended October 31, 2007, includes a non-cash charge, net of tax, of \$2.8 million, or \$0.12 per diluted share, to reduce the fair value of the Company's "Interests in securitized assets." Total revenues for the nine months ended October 31, 2007, increased 9.1% to \$598.2 million compared with \$548.1 million for the nine months ended October 31, 2006. This increase in revenues included net sales increases of \$42.7 million, or 8.8%, and increases in "Finance charges and other" of \$7.4 million, or 12.3%. The increase in "Finance charges and other" was partially offset by the non-cash fair value charge discussed above, which totaled \$4.3 million before taxes, for the nine months ended October 31, 2007. Same store sales (revenues earned in stores operated for the entirety of both periods) increased 3.5% for the first nine months of fiscal 2008. During the nine months ended October 31, 2007, the Company completed a legal entity reorganization that resulted in a one-time reduction in the provision for income taxes of \$0.9 million.

"While we enjoyed solid growth at the top line, we were not satisfied with our bottom-line performance this quarter, even after excluding the impact of the fair value adjustment," said Thomas J. Frank, Sr., the Company's Chairman and CEO. "Since we anticipate the retail environment continuing to be very competitive, we must improve our execution to achieve the gross profit and operating margins we expect."

As part of the previously announced stock repurchase plan, the Company repurchased 542,100 shares of common stock for \$12.0 million during the three months ended October 31, 2007. The Company has repurchased 1,041,185 shares since the inception of the plan for \$24.5 million and intends to continue repurchasing shares up to the authorized limit of \$50 million, dependent upon market conditions and share price.

The Company currently has 65 stores in operation. Additionally, the Company has under development and expects to open 11 stores by July 31, 2008, including two replacement stores and one new store in Oklahoma City, Oklahoma. The Company plans to continue its expansion by opening an additional two to five stores in the last half of next year.

EPS Guidance

Today, in light of the \$0.11 per diluted share fair value adjustment, the Company lowered its guidance for its fiscal year 2008 (the year ending January 31, 2008) of earnings per diluted share in a range of \$1.64 to \$1.74.

Conference Call Information

Conn's, Inc. will host a conference call and audio webcast today, November 29, 2007, at 10:00 AM, CST, to discuss financial results for the quarter ended October 31, 2007. The webcast will be available live at www.conns.com and will be archived for one year. Participants can join the call by dialing 888-661-5167 or 913-312-1430.

About Conn's, Inc.

The Company is a specialty retailer currently operating 65 retail locations in Texas and Louisiana: 21 stores in the Houston area, 15 in the Dallas/Fort Worth Metroplex, 10 in San Antonio, five in Austin, four in Southeast Texas, one in Corpus Christi, three in South Texas and six stores in Louisiana. It sells major home appliances, including refrigerators, freezers, washers, dryers, dishwashers and ranges, and a variety of consumer electronics, including micro-display projection, plasma and LCD flat-panel televisions, camcorders, digital cameras, computers and computer accessories, DVD players (both standard and high definition), video game equipment, portable audio and home theater products. The Company also sells lawn and garden products, furniture and mattresses, and continues to introduce additional product categories for the home to help respond to its customers' product needs and to increase same store sales.

Unlike many of its competitors, the Company provides flexible in-house credit options for its customers. In the last three years, the Company has financed, on average, approximately 58% of retail sales. Customer receivables are financed substantially through an asset-backed securitization facility, from which the Company derives servicing fee income and interest income. The Company transfers receivables, consisting of retail installment contracts and revolving accounts extended to its customers, to a qualifying special purpose entity (QSPE) in exchange for cash and subordinated securities. The QSPE funds its purchases of the receivables through the issuance of medium-term and variable funding notes secured by the receivables and issued to third parties, and subordinated securities to the Company.

This press release contains forward-looking statements that involve risks and uncertainties. Such forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "could," "estimate," "should," "anticipate," or "believe," or the negative thereof or variations thereon or similar terminology. Although the Company believes that the expectations reflected in such forward-looking statements will prove to be correct, the Company can give no assurance that such expectations will prove to be correct. The actual future performance of the Company could differ materially from such statements. Factors that could cause or contribute to such differences include, but are not limited to: the Company's growth strategy and plans regarding opening new stores and entering new markets; the Company's intention to update or expand existing stores; the Company's estimated capital expenditures and costs related to the opening of new stores or the update or expansion of existing stores; the Company's ability to introduce additional product categories; the Company's cash flow from operations, borrowings from its revolving line of credit and proceeds from securitizations to fund operations, debt repayment and expansion; growth trends and projected sales in the home appliance and consumer electronics industry and the Company's ability to capitalize on such growth; relationships with the Company's key suppliers; the results of the Company's litigation; interest rates; weather conditions in the Company's markets; delinquency and loss trends in the receivables portfolio; changes in the assumptions used in the calculation of the fair value of its interests in securitized assets; changes in the Company's stock price; and the actual number of shares of common stock outstanding. Further information on these risk factors is included in the Company's filings with the Securities and Exchange Commission, including the Company's annual report on Form 10-K filed on March 29, 2007. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. Except as required by law, the Company is not obligated to publicly release any revisions to these forward-looking statements to reflect the events or circumstances after the date of this press release or to reflect the occurrence of unanticipated events.

Conn's, Inc.
CONDENSED, CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except earnings per share)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2006	2007	2006	2007
Revenues				
Total net sales	\$152,390	\$170,052	\$487,732	\$530,418
Finance charges and other	21,303	19,314	60,353	67,785
Total revenues	173,693	189,366	548,085	598,203
Cost and expenses				
Cost of goods sold, including warehousing and occupancy costs	110,627	125,359	356,112	390,007
Cost of parts sold, including warehousing and occupancy costs	1,834	2,257	4,788	6,246
Selling, general and administrative expense	49,701	54,760	144,790	161,129
Provision for bad debts	526	582	959	1,490
Total cost and expenses	162,688	182,958	506,649	558,872
Operating income	11,005	6,408	41,436	39,331
Interest income, net	(141)	(110)	(512)	(601)
Other income, net	(19)	(34)	(773)	(920)
Income before income taxes	11,165	6,552	42,721	40,852
Provision for income taxes	4,011	2,531	15,074	14,228
Net income	\$ 7,154	\$ 4,021	\$ 27,647	\$ 26,624
Earnings per share				
Basic	\$ 0.30	\$ 0.17	\$ 1.17	\$ 1.14
Diluted	\$ 0.30	\$ 0.17	\$ 1.14	\$ 1.11
Average common shares outstanding				
Basic	23,698	23,077	23,658	23,375
Diluted	24,165	23,550	24,318	23,907

Conn's, Inc.
CONDENSED, CONSOLIDATED BALANCE SHEETS
(in thousands)

	January 31, 2007	October 31, 2007
Assets	(unaudited)	
Current assets		
Cash and cash equivalents	\$ 56,570	\$ 23,045
Interests in securitized assets and accounts receivable, net	168,296	200,995
Inventories	87,098	97,466
Deferred income taxes	551	2,652
Prepaid expenses and other assets	5,247	4,573
	-----	-----
Total current assets	317,762	328,731
Non-current deferred income tax asset	2,920	-
Total property and equipment, net	59,440	55,362
Goodwill and other assets, net	9,825	9,784
	-----	-----
Total assets	\$389,947	\$393,877
	=====	=====
Liabilities and Stockholders' Equity		
Current Liabilities		
Notes payable	\$ -	\$ -
Current portion of long-term debt	110	111
Accounts payable	54,045	43,609
Accrued compensation and related expenses	9,234	9,073
Accrued expenses	20,424	23,785
Other current liabilities	13,209	14,224
	-----	-----
Total current liabilities	97,022	90,802
Long-term debt	88	28
Non-current deferred income tax liability	-	123
Deferred gains on sales of property	309	1,314
Total stockholders' equity	292,528	301,610
	-----	-----
Total liabilities and stockholders' equity	\$389,947	\$393,877
	=====	=====

Conn's, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited) (in thousands)

	Nine Months Ended October 31,	
	2006	2007
	-----	-----
Net cash provided by (used in) operating activities	\$ 11,090	\$(11,610)
Cash flows from investing activities		
Purchase of property and equipment	(15,681)	(12,043)
Proceeds from sale of property	2,272	8,897
	-----	-----
Net cash used in investing activities	(13,409)	(3,146)
Cash flows from financing activities		
Purchase of treasury stock	(684)	(20,740)
Proceeds from stock issued under employee		

benefit plans	1,695	2,053
Excess tax benefits from stock-based compensation	196	2
Borrowings under promissory notes	208	-
Payment of promissory notes	(145)	(84)
	-----	-----
Net cash provided by (used in) financing activities	1,270	(18,769)
	-----	-----
Net change in cash	(1,049)	(33,525)
Cash and cash equivalents		
Beginning of the year	45,176	56,570
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End of period	\$ 44,127	\$ 23,045
	=====	=====

CALCULATION OF GROSS MARGIN PERCENTAGE
(dollars in thousands)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	----- 2006	2007	----- 2006	2007
	-----	-----	-----	-----
A Product sales	\$ 139,594	\$ 155,657	\$ 448,750	\$ 486,089
B Service maintenance agreement commissions, net	6,845	8,336	21,875	26,688
C Service revenues	5,951	6,059	17,107	17,641
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D Total net sales	152,390	170,052	487,732	530,418
E Finance charges and other	21,303	19,314	60,353	67,785
	-----	-----	-----	-----
F Total revenues	173,693	189,366	548,085	598,203
G Cost of goods sold, including warehousing and occupancy cost	(110,627)	(125,359)	(356,112)	(390,007)
H Cost of parts sold, including warehousing and occupancy cost	(1,834)	(2,257)	(4,788)	(6,246)
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I Gross margin dollars (F+G+H)	\$ 61,232	\$ 61,750	\$ 187,185	\$ 201,950
	=====	=====	=====	=====
Gross margin percentage (I/F)	35.3%	32.6%	34.2%	33.8%
J Product margin dollars (A+G)	\$ 28,967	\$ 30,298	\$ 92,638	\$ 96,082
K Product margin percentage (J/A)	20.8%	19.5%	20.6%	19.8%

PORTFOLIO STATISTICS

For the periods ended January 31, 2005, 2006 and 2007 and October 31, 2006 and 2007
(dollars in thousands, except average outstanding balance per account)

	January 31,			October 31,	
	2005	2006	2007	2006	2007
Total accounts	350,251	415,338	459,065	433,719	490,117
Total outstanding balance	\$428,700	\$519,721	\$569,551	\$535,688	\$618,561
Average outstanding balance per account	\$ 1,224	\$ 1,251	\$ 1,241	\$ 1,235	\$ 1,262
60 day delinquency	\$ 23,143	\$ 35,537	\$ 37,662	\$ 37,800	\$ 47,703
Percent delinquency	5.4%	6.8%	6.6%	7.1%	7.7%
Percent of portfolio reaged	16.3%	17.9%	18.1%	18.5%	16.8%
Net charge-off ratio (year-to-date, annualized)	2.4%	2.5%	3.3%	3.4%	2.7%

SOURCE: Conn's, Inc.

Conn's, Inc., Beaumont
Chairman and CEO
Thomas J. Frank, 409-832-1696 Ext. 3218

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