



August 30, 2005

## **Conn's, Inc. Reports Record Earnings for the Quarter and Six Months Ended July 31, 2005**

BEAUMONT, Texas--(BUSINESS WIRE)--Aug. 30, 2005--Conn's, Inc. (NASDAQ/NM:CONN), a specialty retailer of home appliances, consumer electronics, computers, mattresses and lawn and garden products, today announced record results for the second quarter and six months ended July 31, 2005.

Net income for the second quarter increased 37.3% to \$9.3 million compared to \$6.8 million for the second quarter of last year. Diluted earnings per share were \$0.39 compared with \$0.29 for the second quarter of last year. Total revenues for the quarter ended July 31, 2005 increased 20.3% to \$164.4 million compared with \$136.6 million for the quarter ended July 31, 2004. This increase in revenue included net sales increases of \$25.0 million, or 21.0%, and increases from "Finance charges and other" of \$2.8 million, or 15.6%. Same store sales (revenues earned in stores operated for the entirety of both periods) increased 12.1% for the second quarter ended July 31, 2005.

Net income for the six months ended July 31, 2005 increased 31.3% to \$19.1 million compared to \$14.6 million for the six months ended July 31, 2004. Diluted earnings per share were \$0.80 compared with \$0.61 for the first six months of last year. Total revenues for the six months ended July 31, 2005 increased 18.8% to \$322.5 million compared with \$271.5 million for the six months ended July 31, 2004. This increase in revenue included net sales increases of \$45.4 million, or 19.1%, and increases from "Finance charges and other" of \$5.7 million, or 16.6%. Same store sales (revenues earned in stores operated for the entirety of both periods) increased 10.0% for the six months ended July 31, 2005.

During the second quarter, the Company continued its expansion into the Dallas/Fort Worth Metroplex with the opening of two additional stores, bringing the store count in this market to eleven as of July 2005. Along with a new store opened in Harlingen, Texas, the first week of August 2005, this brings the Company's total store count to 54. The Company's continuing development efforts could result in the Company operating 56 to 58 stores by the end of January 2006. In early September, the Company expects to begin distributing product in the Dallas/Forth Worth market from its new 150,000 square foot distribution center located between Dallas and Forth Worth and will expand its existing service center to better serve this growing market.

"We are obviously pleased with both the top line and bottom line growth and performance so far this year," said Thomas J. Frank, Conn's Chairman and Chief Executive Officer. "The very positive results in same store sales reflect the determination and commitment to execution by Conn's associates throughout our company. We have achieved our goals in opening new stores thus far this year and with the new DC opening in Dallas we are optimistic about our continued growth for the remainder of the year."

### **EPS Guidance**

As a result of its performance for the first six months, the Company is increasing its guidance for the year ending January 31, 2006 of earnings per diluted share from approximately \$1.40 to \$1.46 to approximately \$1.50 to \$1.55. The estimate of earnings per diluted share is calculated in accordance with current accounting principles, generally accepted in the United States. Comparable store sales increases for the year are projected in the mid, single digit range.

### **Conference Call Information**

Conn's, Inc. will host a conference call and audio webcast today, August 30, 2005 at 10:00 a.m. CDT, to discuss financial results for the quarter and six months ended July 31, 2005. The webcast will be available at [www.conns.com](http://www.conns.com) and will be archived for 30 days. The webcast is also being distributed over CCBN's Investor Distribution Network to both institutional and individual investors. Individual investors can listen to the call through CCBN's individual investor center at [www.fulldisclosure.com](http://www.fulldisclosure.com). Institutional investors can access the call via StreetEvents ([www.streetevents.com](http://www.streetevents.com)).

### **About Conn's, Inc.**

The Company is a specialty retailer currently operating 54 retail locations in Texas and Louisiana: eighteen stores in the Houston area, eleven in the Dallas/Fort Worth Metroplex, seven in San Antonio, five in Austin, four in Southeast Texas, one in Corpus Christi, two in South Texas and six stores in Louisiana. It sells major home appliances, including refrigerators, freezers, washers, dryers and ranges, and a variety of consumer electronics, including projection, plasma, DLP and LCD televisions, camcorders, computers and computer peripherals, DVD players, portable audio and home theater products. The Company also sells lawn and garden products and mattresses, and continues to introduce additional product categories for the home to help increase same store sales and to respond to its customers' product needs.

Unlike many of its competitors, the Company provides flexible in-house credit options for its customers. Historically, it has financed, on average, approximately 56% 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 from these assets. The Company transfers receivables, consisting of retail installment contracts and revolving accounts extended to its customers, to a qualifying special purpose entity in exchange for cash and subordinated securities represented by asset-backed and variable funding notes issued to third parties.

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 have been 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 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; 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 April 5, 2005 and current report on Form 8-K filed in connection with this press release. 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

(in thousands, except earnings per share)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2004	2005	2004	2005
<b>Revenues</b>				
Total net sales	\$118,851	\$143,849	\$237,393	\$282,783
Finance charges and other	17,750	20,526	34,085	39,755
<b>Total revenues</b>	<b>136,601</b>	<b>164,375</b>	<b>271,478</b>	<b>322,538</b>
<b>Cost and expenses</b>				
Cost of goods sold, including warehousing and occupancy costs	85,704	103,579	170,479	204,496
Cost of parts sold, including warehousing and occupancy costs	1,092	1,236	2,195	2,461
Selling, general and administrative expense	37,521	44,700	72,383	84,182
Provision for bad debts	1,227	443	2,649	1,595
<b>Total cost and expenses</b>	<b>125,544</b>	<b>149,958</b>	<b>247,706</b>	<b>292,734</b>
<b>Operating income</b>	<b>11,057</b>	<b>14,417</b>	<b>23,772</b>	<b>29,804</b>
Interest expense, net	567	59	1,149	414

Income before minority interest and income taxes	10,490	14,358	22,623	29,390
Minority interest in limited partnership	(131)	-	(246)	-
Income before income taxes	10,359	14,358	22,377	29,390
Total provision for income taxes	3,569	5,034	7,814	10,264
Net income	\$6,790	\$9,324	\$14,563	\$19,126
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Earnings per share				
Basic	\$0.29	\$0.40	\$0.63	\$0.82
Diluted	\$0.29	\$0.39	\$0.61	\$0.80
Average common shares outstanding				
Basic	23,179	23,366	23,163	23,337
Diluted	23,801	24,114	23,769	23,987

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

	January 31, 2005	July 31, 2005
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Assets		
Current assets		
Cash and cash equivalents	\$7,027	\$19,049
Interests in securitized assets and accounts receivable, net	131,294	136,215
Inventories	62,346	60,846
Deferred income taxes	4,901	6,613
Prepaid expenses and other assets	3,356	2,578
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Total current assets	208,924	225,301
Non-current deferred income tax asset	1,523	2,315
Total property and equipment, net	47,710	52,220
Goodwill and other assets, net	9,846	9,777
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Total assets	\$268,003	\$289,613
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Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable	\$5,500	\$-
Current portion of long-term debt	29	18
Accounts payable	26,912	33,510
Accrued expenses	19,883	24,596
Fair value of derivatives	177	-
Other current liabilities	8,349	8,973
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Total current liabilities	60,850	67,097
Long-term debt	5,003	-
Non-current deferred income tax liability	704	820
Deferred gain on sale of property	644	560
Total stockholders' equity	200,802	221,136
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Total liabilities and stockholders' equity	\$268,003	\$289,613
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Conn's, Inc.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)

	For the Six Months Ended July 31,	
	2004	2005
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Net cash provided by operating activities	\$596	\$31,396
Cash flows from investing activities		
Purchase of property and equipment	(9,047)	(9,964)
Proceeds from sale of property	15	13
Net cash used in investing activities	(9,032)	(9,951)
Cash flows from financing activities		
Net borrowings (payments) under bank credit facilities, debt costs	979	(10,500)
Net proceeds from stock issued under employee benefit plans	687	1,091
Payment of promissory notes	(34)	(14)
Net cash provided by (used in) financing activities	1,632	(9,423)
Impact on cash of consolidation of SRDS	190	-
Net change in cash	(6,614)	12,022
Cash and cash equivalents		
Beginning of the year	12,942	7,027
End of period	\$6,328	\$19,049
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CALCULATION OF GROSS MARGIN PERCENTAGE  
(dollars in thousands)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2004	2005	2004	2005
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Total revenues	\$136,601	\$164,375	\$271,478	\$322,538
Less cost of goods and parts sold, including warehousing and occupancy cost	(86,796)	(104,815)	(172,674)	(206,957)
Gross margin dollars	\$49,805	\$59,560	\$98,804	\$115,581
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Gross margin percentage	36.5%	36.2%	36.4%	35.8%

and July 31, 2004 and 2005

(dollars in thousands, except average outstanding balance per account)

	1/31/03	1/31/04	1/31/05	7/31/04	7/31/05
Total accounts	285,247	299,717	350,251	320,224	380,717
Total outstanding balance	\$303,825	\$349,470	\$428,700	\$382,050	\$472,688
Average outstanding balance per account	\$1,065	\$1,166	\$1,224	\$1,193	\$1,242
60 day delinquency	\$16,176	\$18,267	\$23,143	\$19,662	\$23,015
Percent delinquency	5.3%	5.2%	5.4%	5.1%	4.9%
Loan loss ratio	3.5%	3.4%	2.9%	3.4%	2.7%