August 30, 2007

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

BEAUMONT, Texas, Aug 30, 2007 (BUSINESS WIRE) --

Conn's, Inc. (NASDAQ/NM:CONN), a specialty retailer of home appliances, consumer electronics, computers, mattresses, furniture and lawn and garden products, today announced earnings results for the quarter and six months ended July 31, 2007.

Net income for the second fiscal quarter increased 13.0% to $9.7 million, compared with $8.5 million for the second quarter of last year. Diluted earnings per share grew 14.3% to $0.40, compared with $0.35 for the second quarter of last year. Total revenues for the quarter ended July 31, 2007, increased 11.7% to $203.5 million compared with $182.2 million for the quarter ended July 31, 2006. This increase in revenues included increases in net sales of $15.4 million, or 9.4%, and an increase in "Finance charges and other" of $5.9 million, or 32.1%. Same store sales (revenues earned in stores operated for the entirety of both periods) increased 5.0% for the second quarter of fiscal 2008.

Credit portfolio performance continued to improve as the credit loss rate declined for the fourth consecutive quarter, and was significantly lower than the second quarter of the prior year. The percentage of receivables over 60-days past due increased slightly. 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." 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." This change in accounting was adopted effective February 1, 2007, and prior periods are not adjusted. During the second quarter of fiscal 2008, "Finance charges and other" decreased $0.5 million due to the fair value mark-to-market adjustment, which was negatively impacted by higher projected borrowing costs and a slightly faster portfolio turnover rate, partially offset by the benefit of the growth in the portfolio, and other changes impacting the valuation assumptions. More information on these changes may be found in the Company's filing with the Securities and Exchange Commission on Form 10-Q which will be filed later today.

During the quarter ended July 31, 2007, the Company completed a legal entity reorganization that resulted in the reversal of previously accrued Texas margin taxes. The net effect was a one-time reduction in the provision for income taxes of $0.9 million. In July 2007, the Company began accruing the Texas margin tax again and expects its effective tax rate to be between 36.0% and 37.0% in future quarters. Income before income taxes for the second quarter in the prior year benefited from a $0.7 million gain recognized on the sale of property.

Net income for the six months ended July 31, 2007, increased 10.3% to $22.6 million compared with $20.5 million for the prior year. Diluted earnings per share for the six months ended July 31, 2007, were $0.94 compared with $0.84 in the prior year period. Total revenues for the six months ended July 31, 2007, increased 9.2% to $408.8 million compared with $374.4 million for the six months ended July 31, 2006. This increase in revenues included net sales increases of $25.0 million, or 7.5%, and increases in "Finance charges and other" of $9.4 million, or 24.1%. Same store sales (revenues earned in stores operated for the entirety of both periods) increased 2.1% for the first six months of fiscal 2008.

"We are pleased with our strong sales results and continued solid credit portfolio performance this quarter," said Thomas J. Frank, Sr., the Company's Chairman and CEO. "We delivered excellent earnings growth in a challenging retail atmosphere, further proving the strength of our model."

As part of the previously announced stock repurchase plan, the company repurchased 153,085 shares of common stock during the three months ended July 31, 2007, and an additional 250,900 shares through August 28, 2007. The Company has repurchased 749,985 shares since the inception of the plan 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 63 stores in operation with development activities underway in new and existing markets. Due to the impact of the high level of rainfall during recent months in the Company's markets and construction scheduling issues, construction of planned new stores has been delayed. Over the next 12 months, the Company expects to open a total of 10 to

12 stores, with a total of 15 to 18 stores opened by January 31, 2009. It is expected that two of the stores to be opened in fiscal year 2009 will be replacement locations.

EPS Guidance

Today, the Company is confirming its guidance for its fiscal year 2008 (the year ending January 31, 2008) of earnings per diluted share in a range of $1.75 to $1.85.

Conference Call Information

Conn's, Inc. will host a conference call and audio webcast today, August 30, 2007, at 10:00 AM, CDT, to discuss financial results for the quarter ended July 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 866-290-0916 or 913-312-1226.

About Conn's, Inc.

The Company is a specialty retailer currently operating 63 retail locations in Texas and Louisiana: 21 stores in the Houston area, 14 in the Dallas/Fort Worth Metroplex, 10 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 micro-display projection, plasma and LCD flat-panel televisions, camcorders, digital cameras, computers and computer peripherals, DVD players (both standard and high definition), 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 for credit 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 asset-backed and variable funding notes 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 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 July 31,		Six Months Ended July 31,	
	2006	2007	2006	2007

Revenues				
Total net sales	$163,637	$179,001	$335,342	$360,366
Finance charges and other	18,567	24,526	39,050	48,471
Total revenues	182,204	203,527	374,392	408,837
Cost and expenses				
Cost of goods sold, including warehousing and occupancy costs	119,756	132,677	245,485	264,648
Cost of parts sold, including warehousing and occupancy costs	1,389	2,123	2,954	3,989
Selling, general and administrative expense	48,425	54,733	95,089	106,369
Provision for bad debts	390	348	433	908
Total cost and expenses	169,960	189,881	343,961	375,914
Operating income	12,244	13,646	30,431	32,923
Interest income, net	(187)	(251)	(371)	(491)
Other income, net	(721)	(55)	(754)	(886)
Income before income taxes	13,152	13,952	31,556	34,300
Provision for income taxes	4,608	4,295	11,063	11,697
Net income	$ 8,544	$ 9,657	$ 20,493	$ 22,603
Earnings per share				
Basic	$ 0.36	$ 0.41	$ 0.87	$ 0.96
Diluted	$ 0.35	$ 0.40	$ 0.84	$ 0.94
Average common shares outstanding				
Basic	23,676	23,489	23,637	23,527
Diluted	24,344	24,058	24,355	24,089

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

	January 31, 2007	July 31, 2007
Assets		(unaudited)
Current assets		
Cash and cash equivalents	$ 56,570	$ 43,599
Interests in securitized assets and accounts receivable, net	168,296	193,681
Inventories	87,098	84,870
Deferred income taxes	551	1,660
Prepaid expenses and other assets	5,247	5,343

Total current assets	317,762	329,153
Non-current deferred income tax asset	2,920	-
Total property and equipment, net	59,440	54,625
Goodwill and other assets, net	9,825	9,798
Total assets	$ 389,947	$ 393,576
Liabilities and Stockholders' Equity		
Current Liabilities		
Notes payable	$ -	$ -
Current portion of long-term debt	110	118
Accounts payable	54,045	38,895
Accrued compensation and related expenses	9,234	8,704
Accrued expenses	20,424	22,229
Other current liabilities	13,209	12,898
Total current liabilities	97,022	82,844
Long-term debt	88	58
Non-current deferred income tax liability	-	499
Deferred gains on sales of property	309	1,406
Total stockholders' equity	292,528	308,769
Total liabilities and stockholders' equity	$ 389,947	$ 393,576

Conn's, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (in thousands)

	Six Months Ended July 31,	
	2006	2007
Net cash used in operating activities	$(14,009)	$ (6,841)
Cash flows from investing activities		
Purchase of property and equipment	(11,858)	(8,203)
Proceeds from sale of property	2,250	8,860
Net cash provided by (used in) investing activities	(9,608)	657
Cash flows from financing activities		
Purchase of treasury stock	-	(8,707)
Proceeds from stock issued under employee benefit plans	1,471	1,963
Excess tax benefits from stock-based compensation	135	2
Increase in debt issuance costs	(107)	-
Payment of promissory notes	(136)	(45)
Net cash (used in) provided by financing activities	1,363	(6,787)
Net change in cash	(22,254)	(12,971)
Cash and cash equivalents		
Beginning of the year	45,176	56,570

End of period	$ 22,922	$ 43,599

CALCULATION OF GROSS MARGIN PERCENTAGE
(dollars in thousands)

		Three Months Ended July 31,		Six Months Ended July 31,	
		2006	2007	2006	2007
A	Product sales	$ 150,647	$ 163,793	$ 309,156	$ 330,432
B	Service maintenance agreement commissions, net	7,063	9,071	15,030	18,352
C	Service revenues	5,927	6,137	11,156	11,582
D	Total net sales	163,637	179,001	335,342	360,366
E	Finance charges and other	18,567	24,526	39,050	48,471
F	Total revenues	182,204	203,527	374,392	408,837
G	Cost of goods sold, including warehousing and occupancy cost	(119,756)	(132,677)	(245,485)	(264,648)
H	Cost of parts sold, including warehousing and occupancy cost	(1,389)	(2,123)	(2,954)	(3,989)
I	Gross margin dollars (F+G+H)	$ 61,059	$ 68,727	$ 125,953	$ 140,200
	Gross margin percentage (I/F)	33.5%	33.8%	33.6%	34.3%
J	Product margin dollars (A+G)	$ 30,891	$ 31,116	$ 63,671	$ 65,784
K	Product margin percentage (J/A)	20.5%	19.0%	20.6%	19.9%

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

	January 31,			July 31,	
	2005	2006	2007	2006	2007
Total accounts	350,251	415,338	459,065	425,738	479,952
Total outstanding balance	$428,700	$519,721	$569,551	$530,672	$606,161
Average outstanding					

balance per account	$ 1,224	$ 1,251	$ 1,241	$ 1,246	$ 1,263
60 day delinquency	$ 23,143	$ 35,537	$ 37,662	$ 30,779	$ 39,211
Percent delinquency	5.4%	6.8%	6.6%	5.8%	6.5%
Charge-off ratio (year-to-date, annualized)	2.4%	2.5%	3.3%	3.7%	2.5%

SOURCE: Conn's, Inc.

Conn's, Inc., Beaumont
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