



September 15, 2006

Conn's, Inc. Reports Earnings for the Quarter and Six Months Ended July 31, 2006

BEAUMONT, Texas, Sep 15, 2006 (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, 2006 after restating its financial statements for fiscal years ending January 31, 2006, 2005, and 2004 and the quarter ended April 30, 2006. The Company said the restatement was necessary to correct for an error in recording securitization income and valuing its retained interest in its sold receivables portfolio which resulted in a cumulative understatement of \$14.7 million of securitization income and interest in securitized assets since the inception of the Company's securitization program. The error led management to conclude that its internal controls over financial reporting had a material weakness. Management further believes that the controls relating to the accounting for securitization have been enhanced to mitigate the risk of future misstatements. These new controls will be tested as part of the company's normal internal controls testing for year end. More information on the restatement and the material weakness in internal controls may be found in the Company's filing with the Securities and Exchange Commission on Form 10-K/A for the fiscal year ended January 31, 2006, which will be filed today.

Net income for the second fiscal quarter decreased 10.9% to \$8.5 million compared with \$9.6 million for the restated second quarter of last year. Diluted earnings per share available for common stockholders were \$0.35 compared with \$0.40 for the second quarter of last year after the restatement and adoption of FAS123R. Total revenues for the quarter ended July 31, 2006 increased 10.7% to \$182.2 million compared with \$164.6 million for the quarter ended July 31, 2005. This increase in revenue included net sales increases of \$19.8 million, or 13.8%, and decreases in "Finance charges and other" of \$2.1 million, or 10.4%. Same store sales (revenues earned in stores operated for the entirety of both periods) increased 7.2% for the second quarter of fiscal 2007.

Net income for the six months ended July 31, 2006 increased 5.3% to \$20.5 million compared with \$19.5 million for the restated six months of the prior year. Diluted earnings per share available for common stockholders were \$0.84 compared with \$0.81 for the six months of last year after the restatement and adoption of FAS123R. Total revenues for the six months ended July 31, 2006 increased 16.1% to \$374.4 million compared with \$322.5 million for the six months ended July 31, 2005. This increase in revenue included net sales increases of \$52.6 million, or 18.6%, and decreases in "Finance charges and other" of \$0.7 million, or 1.6%. Same store sales (revenues earned in stores operated for the entirety of both periods) increased 11.7% for the first six months of fiscal 2007.

As previously disclosed, during the third quarter of fiscal 2006 a significant hurricane impacted a portion of the Company's retail market area and its credit collection operations. This resulted in higher delinquencies for receivables in the credit portfolio serviced by the Company. Those delinquencies continue at higher than expected levels and have produced loan losses greater than had been estimated prior to the current quarter. The losses affect securitization income received from the credit subsidiary of the Company and is reflected in the line "Finance charges and other" on the Statement of Operations. In a press release on August 8, 2006, and a conference call on August 9, 2006, the Company discussed the impact in more detail and described the steps being taken to address the issue. More information on the credit portfolio and its performance may be found in a 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 half of the year, the Company opened two new stores in its Houston market bringing the total store count to 58. By the end of January 2007, the Company expects to operate approximately 61 to 62 stores.

EPS Guidance

Today, the Company reiterated its guidance for its fiscal year 2007 (the year ending January 31, 2007) of earnings per diluted share of a range of \$1.60 to \$1.75.

Conference Call Information

Conn's, Inc. will host a conference call and audio webcast today, September 15, 2006, at 10:00 AM, CST, to discuss financial results for the quarter and six months ended July 31, 2006. The webcast will be available live at www.conns.com and will be archived for one year. Participants can join the call by dialing 800-810-0924 or 913-981-4900.

About Conn's, Inc.

The Company is a specialty retailer currently operating 58 retail locations in Texas and Louisiana: twenty stores in the Houston area, twelve in the Dallas/Fort Worth Metroplex, eight 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, 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. Historically, it has financed, on average, approximately 57% 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 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 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 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 sold 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 amended annual report on Form 10-K/A filed today. 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,	
	2005	2006	2005	2006
Revenues	As Restated		As Restated	
Total net sales	\$143,849	\$163,637	\$282,783	\$335,342
Finance charges and other	20,711	18,567	39,696	39,050
Total revenues	164,560	182,204	322,479	374,392
Cost and expenses				
Cost of goods sold, including warehousing and occupancy costs	103,579	119,756	204,496	245,485
Cost of parts sold, including warehousing and occupancy costs	1,236	1,389	2,461	2,954

Selling, general and administrative expense	44,950	48,425	84,689	95,089
Provision for bad debts	(137)	390	331	433

Total cost and expenses	149,628	169,960	291,977	343,961

Operating income	14,932	12,244	30,502	30,431
Interest (income) expense, net	59	(187)	414	(371)
Other (income) expense, net	28	(721)	34	(754)

Income before income taxes	14,845	13,152	30,054	31,556
Total provision for income taxes	5,252	4,608	10,593	11,063

Net income	\$9,593	\$8,544	\$19,461	\$20,493
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Earnings per share				
Basic	\$0.41	\$0.36	\$0.83	\$0.87
Diluted	\$0.40	\$0.35	\$0.81	\$0.84
Average common shares outstanding				
Basic	23,366	23,676	23,337	23,637
Diluted	24,012	24,344	23,896	24,355

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

	January 31, 2006	July 31, 2006

Assets		
As Restated		
Current assets		
Cash and cash equivalents	\$45,176	\$22,922
Interests in securitized assets and accounts receivable, net	162,824	176,230
Inventories	73,987	79,642
Prepaid expenses and other assets	4,004	3,835

Total current assets	285,991	282,629
Non-current deferred income tax asset	2,464	3,280
Total property and equipment, net	54,826	59,088
Goodwill and other assets, net	9,877	9,957

Total assets	\$353,158	\$354,954
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Liabilities and Stockholders' Equity		
Current Liabilities		

Notes payable	\$-	\$-
Current portion of long-term debt	136	-
Accounts payable	40,920	37,470
Accrued compensation and related expenses	18,847	7,258
Accrued expenses	26,174	18,395
Other current liabilities	9,841	11,915
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Total current liabilities	95,918	75,038
Long-term debt	-	-
Non-current deferred income tax liability	903	1,031
Deferred gain on sale of property	476	393
Total stockholders' equity	255,861	278,492
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Total liabilities and stockholders' equity	\$353,158	\$354,954
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Conn's, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six Months Ended July 31,	
	2005	2006
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	As Restated	
Net cash provided by (used in) operating activities	\$31,396	\$(14,009)
Cash flows from investing activities		
Purchase of property and equipment	(9,964)	(11,858)
Proceeds from sale of property	13	2,250
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Net cash used in investing activities	(9,951)	(9,608)
Cash flows from financing activities		
Net borrowings (payments) under bank credit facilities	(10,500)	-
Proceeds from stock issued under employee benefit plans	1,091	1,471
Excess tax benefits from stock-based compensation	-	135
Increase in debt issuance costs	-	(107)
Payment of promissory notes	(14)	(136)
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Net cash provided by (used in) financing activities	(9,423)	1,363
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Net change in cash	12,022	(22,254)
Cash and cash equivalents		
Beginning of the year	7,027	45,176
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End of period	\$19,049	\$22,922
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CALCULATION OF GROSS MARGIN PERCENTAGE
(dollars in thousands)

	Three Months Ended July 31,	Six Months Ended July 31,
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	2005	2006	2005	2006
A Product sales	\$130,867	\$150,647	\$258,142	\$309,156
B Service maintenance agreement commissions, net	7,848	7,063	14,732	15,030
C Service revenues	5,134	5,927	9,909	11,156
D Total net sales	143,849	163,637	282,783	335,342
E Finance charges and other	20,711	18,567	39,696	39,050
F Total revenues	164,560	182,204	322,479	374,392
G Cost of goods sold, including warehousing and occupancy cost	(103,579)	(119,756)	(204,496)	(245,485)
H Cost of parts sold, including warehousing and occupancy cost	(1,236)	(1,389)	(2,461)	(2,954)
I Gross margin dollars (F+G+H)	\$59,745	\$61,059	\$115,522	\$125,953
Gross margin percentage (I/F)	36.3%	33.5%	35.8%	33.6%
J Product margin dollars (A+G)	27,288	30,891	53,646	63,671
K Product margin percentage (J/A)	20.9%	20.5%	20.8%	20.6%

PORTFOLIO STATISTICS

For the periods ended January 31, 2004, 2005 and 2006 and July 31,
2005 and 2006

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

	January 31,			July 31,	
	2004	2005	2006	2005	2006
Total accounts	299,717	350,251	415,338	380,717	425,738
Total outstanding balance	\$349,470	\$428,700	\$519,721	\$472,688	\$530,672
Average outstanding balance per account	\$1,166	\$1,224	\$1,251	\$1,242	\$1,246
60 day delinquency	\$18,267	\$23,143	\$35,537	\$23,015	\$30,779
Percent delinquency	5.2%	5.4%	6.8%	4.9%	5.8%
Charge-off ratio, trailing 12 months	2.9%	2.4%	2.6%	2.3%	3.1%

SOURCE: Conn's, Inc

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