



# Investor Presentation

Q1 FY 2022  
(Nasdaq: CONN)



# Forward Looking Statements & Other Disclosure Matters

**Forward-Looking Statements** - This presentation contains forward-looking statements within the meaning of the federal securities laws, including but not limited to, the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. Such forward-looking statements include information concerning the Company's future financial performance, business strategy, plans, goals and objectives. Statements containing the words "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "project," "should," "predict," "will," "potential" or the negative of such terms or other similar expressions are generally forward-looking in nature and not historical facts. Such forward-looking statements are based on our current expectations. We can give no assurance that such statements will prove to be correct, and actual results may differ materially. A wide variety of potential risks, uncertainties, and other factors could materially affect our ability to achieve the results either expressed or implied by our forward-looking statements including, but not limited to: general economic conditions impacting our customers or potential customers; our ability to execute periodic securitizations of future originated customer loans on favorable terms; our ability to continue existing customer financing programs or to offer new customer financing programs; changes in the delinquency status of our credit portfolio; unfavorable developments in ongoing litigation; increased regulatory oversight; higher than anticipated net charge-offs in the credit portfolio; the success of our planned opening of new stores; expansion of our e-commerce business; technological and market developments and sales trends for our major product offerings; our ability to manage effectively the selection of our major product offerings; our ability to protect against cyber-attacks or data security breaches and to protect the integrity and security of individually identifiable data of our customers and employees; our ability to fund our operations, capital expenditures, debt repayment and expansion from cash flows from operations, borrowings from our revolving credit facility, and proceeds from accessing debt or equity markets; the effects of epidemics or pandemics, including the COVID-19 outbreak; and other risks detailed in Part I, Item 1A, Risk Factors, in our Annual Report on Form 10-K for the fiscal year ended January 31, 2021 and other reports filed with the SEC. If one or more of these or other risks or uncertainties materialize (or the consequences of such a development changes), or should our underlying assumptions prove incorrect, actual outcomes may vary materially from those reflected in our forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. We disclaim any intention or obligation to update publicly or revise such statements, whether as a result of new information, future events or otherwise, or to provide periodic updates or guidance. All forward-looking statements attributable to us, or to persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements.

**Non-GAAP Measures** - To supplement the consolidated financial statements, which are prepared and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"), the Company also provides the following non-GAAP financial measures from time to time: retail segment adjusted operating income, retail segment adjusted operating margin, credit segment adjusted operating income (loss), credit segment adjusted operating margin, adjusted net income and adjusted net income per diluted share. These non-GAAP financial measures are not meant to be considered as a substitute for, or superior to, comparable GAAP measures and should be considered in addition to results presented in accordance with GAAP. They are intended to provide additional insight into our operations and the factors and trends affecting the business. Management believes these non-GAAP financial measures are useful to financial statement readers because (1) they allow for greater transparency with respect to key metrics we use in our financial and operational decision making and (2) they are used by some of our institutional investors and the analyst community to help them analyze our operating results. Our reconciliations of non-GAAP financial measures to GAAP financial measures are located in the appendix to this presentation.

# Conn's Overview:

- Premium shopping experience
- Large assortment of competitively priced, brand name products
- Unmatched financing options across the entire credit spectrum
- Positioned to take advantage of shifting consumer trends
- Differentiated business model would require a significant amount of capital to replicate



**Our unique retail + credit business model provides unmatched value for our customers**

## Retail



Focused on selling high-quality, durable home products



Expanding footprint with 150+ locations in 15 states

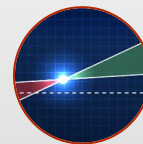


Next day delivery and in-house repair service



Accelerating investments in digital and omnichannel

## Credit



Established in-house point-of-sale financing offering



Attractive total cost of ownership for Conn's credit customers



Enhanced underwriting platform



History of supporting customers during multiple cycles

**Investment Highlights:**  
**Generating sustainable value for our customers, employees, and shareholders**

**1** Hybrid retail + credit business model is difficult to replicate and provides a unique value to our customers

**2** Growth-oriented strategic plan focused on leveraging our core capabilities, as well as emerging digital and e-commerce trends

**3** Large underserved addressable market, with growing market opportunities

**4** Strong retail gross margin and highly profitable unit economics supports powerful financial model

**5** Solid balance sheet and flexible capital position enhanced by FY21's de-risking efforts

***We are emerging from the pandemic stronger, more efficient, and better positioned to compete in a rapidly changing market, and we believe we are at an inflection point in our growth strategy***

# Conn's Value Proposition:

## Creating possibilities for our customers

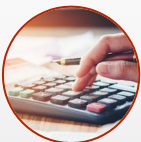
### Providing a differentiated value to customers



Premium shopping experience and competitively priced assortment of high-quality products for the home



In-house credit offering supports a unique credit waterfall with flexible financing options



Lower total cost of ownership for Conn's in-house credit customers



Omnichannel engagement provides a convenient shopping experience and a local partner

### Local presence enhances our value proposition





# Large Market Opportunity:

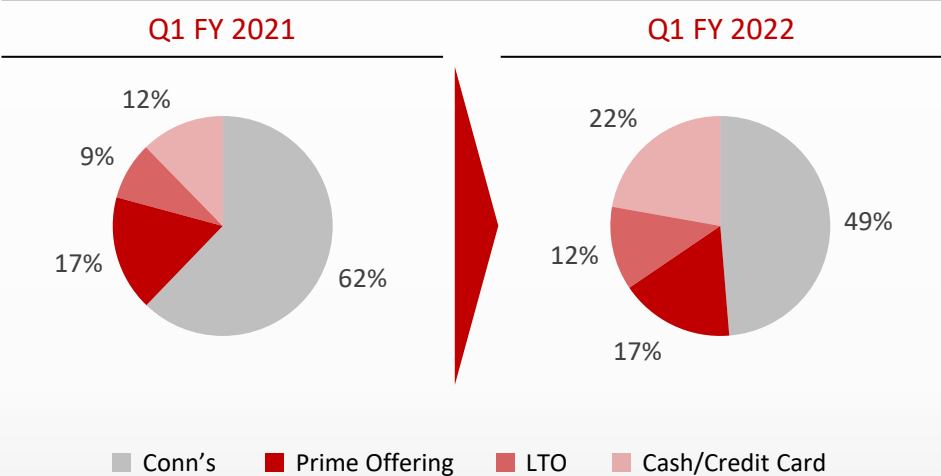
## Targeting a broader customer base post-pandemic

### Market strategy

#### Pursuing growth across entire credit spectrum

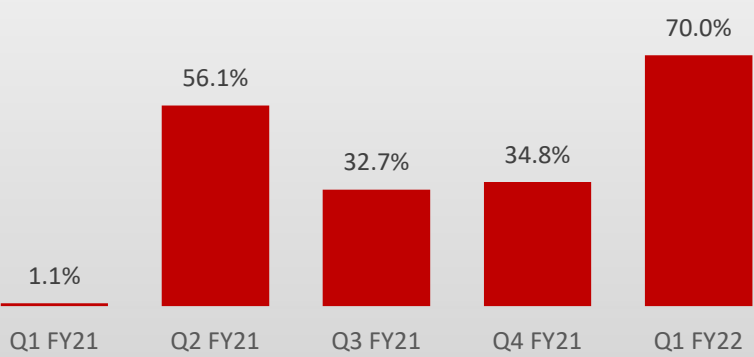
- In-house credit offering remains the cornerstone of our credit strategy
- Well-positioned market opportunity given material growth began in FY21 in cash and third-party credit sales
- Best-in-class credit products appeal to a wide variety of customers
- Consumers have less options within their local communities to buy and finance the products we sell
- Existing last-mile infrastructure supports accelerating digital and e-commerce growth
- E-commerce presents the opportunity to expand our offering to more consumers outside our traditional markets

### Percent of retail sales by payment type



### YOY sales growth from cash/credit card & third-party financed sales

#### Pandemic accelerated cash/CC and third-party financed sales growth



## We remain focused on executing our four key strategic initiatives which include:

- 1 Leverage the best mix of Conn's financing and third-party credit options
- 2 Accelerate our investment in digital and e-commerce to become a best in-class omnichannel retailer
- 3 Continue to buildout our store footprint to create a true omnichannel shopping experience
- 4 Accelerate our retail acumen and capabilities

# Credit Growth Strategy:

## Leveraging the best mix of Conn’s financing and third-party credits options

We are focused on pursuing growth opportunities across our differentiated credit offerings

<div><b>Conn’s In-House Credit</b> Q1 FY22 - ~49% of sales</div> <div><ul style="list-style-type: none"><li>• Opportunities to increase credit offering after successful de-risking efforts during the COVID-19 crisis</li><li>• Expanded credit team, enhanced scorecard, and improved analytics</li></ul></div>	<div><b>Lease-to-Own</b> Q1 FY22 - ~12% of sales</div> <div><ul style="list-style-type: none"><li>• Added multiple partners in Q4 FY21 to capture more opportunities</li><li>• Partnership changes drove 82% YOY increase in LTO sales in Q1 FY22</li></ul></div>	<div><b>Prime Credit Offering</b> Q1 FY22 - ~17% of sales</div> <div><ul style="list-style-type: none"><li>• Focus on higher credit quality customer</li><li>• Best-in-class offering</li><li>• Longer-term, no interest financing</li></ul></div>	<div><b>Cash and Credit Card</b> Q1 FY22 - ~22% of sales</div> <div><ul style="list-style-type: none"><li>• Cash and credit card sales began to increase significantly during FY21 as our value proposition resonated with a broader customer base</li><li>• Product offering and retail experience driving significant growth</li><li>• Further growth opportunities through e-commerce</li></ul></div>
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Conn’s financed sales declined 2% YOY in Q1 FY22

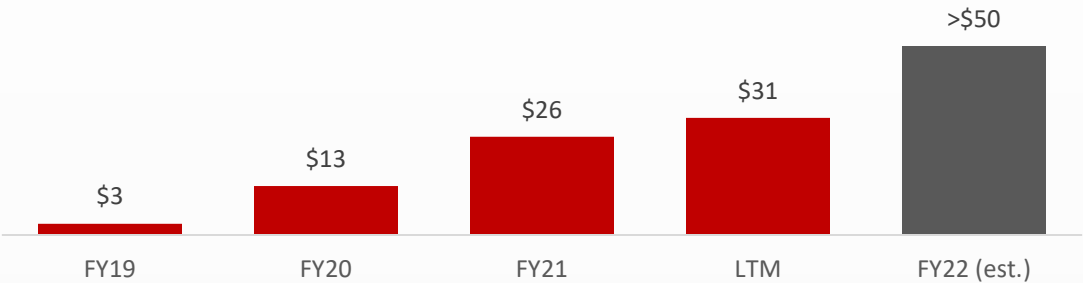
Cash/CC and third-party financed sales grew 70% YOY in Q1 FY22



# Omnichannel Strategy:

## Accelerating our investment in digital and e-commerce to become a best-in-class omnichannel retailer

Growing e-commerce sales (in millions)



### Supporting a significant e-commerce strategy

- Our flexible omnichannel offerings allow our customers to shop and apply for credit in store, online or on their mobile device
- COVID-19 accelerated our e-commerce investments and experience, and during FY21 we launched:
  - Curbside pickup
  - Buy online pick-up in store (BOPIS)
- Our long-term omnichannel strategy is focused on
  - Enhancing our e-commerce platform to serve our customers where and how they choose to shop
  - Leveraging our digital capabilities to drive retail sales
  - Increasing the effectiveness of our digital marketing and advertising
- In late FY19, we started to offer certain credit-qualified customers the ability to complete an entire purchase transaction financed online through our proprietary in-house credit programs
- Well-positioned to double e-commerce sales again in FY22
  - Q1 FY22 e-commerce sales of \$10.6 million, up 96% versus prior year

# Real Estate Strategy:

## Continue to buildout our store footprint to create a true omnichannel shopping experience

- Complements omnichannel strategy by supporting local service, distribution and last mile capabilities
- Florida expansion accelerating in calendar 2021
  - Five Florida stores opened in Q1 FY22
- Near-term growth supported by recent investments in new distribution centers
- Positioned to become a national retailer

### Compelling unit economics

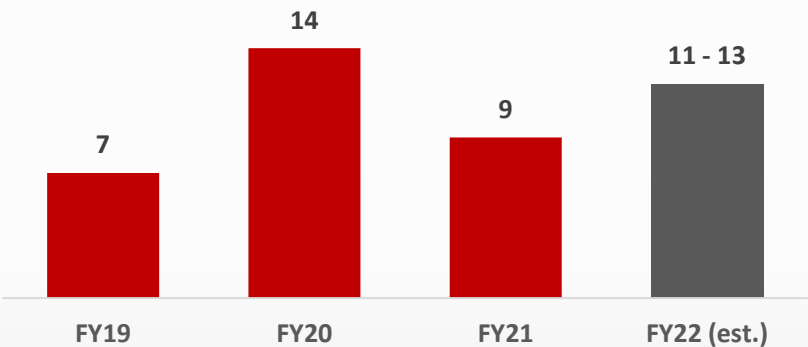
Supported by low breakeven and attractive payback

Average annual sales for new stores	\$6.0 - \$7.0 million
Note: New stores in new markets will be below average	
Stores are expected to mature in 3 – 4 years	
New store operating breakeven	~\$4.0 million
Pre-opening SG&A expense (starts ~6 months prior to opening)	~\$0.3 million
Net capital investment	~\$1.0 million



### New store growth

We are accelerating our store openings in FY22 after slowing the pace of store growth in FY21



### Whitespace opportunity

Our core customer is located throughout the U.S. which enables significant and long-term geographic expansion



# Retail Growth Strategy:

## Accelerate our retail acumen and capabilities

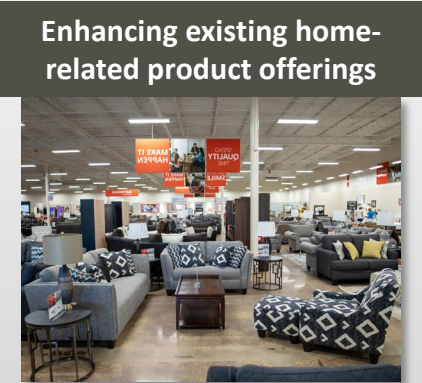
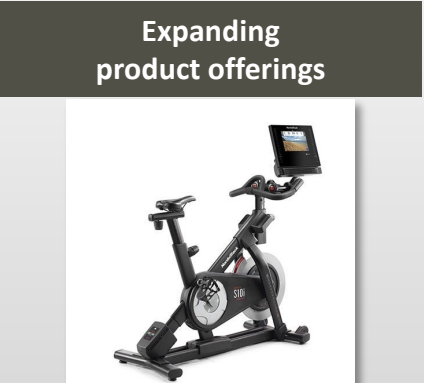
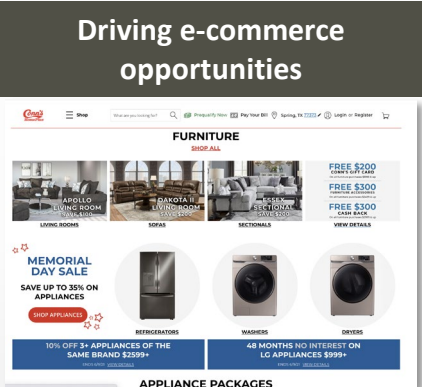
### Offering aspirational, high-quality and durable home products

Product categories complement strong market dynamics as consumer focus on home related products has increased



### Improving our retail acumen by leveraging our strong platform

Enhancing competitive position to take advantage of changing consumer behavior

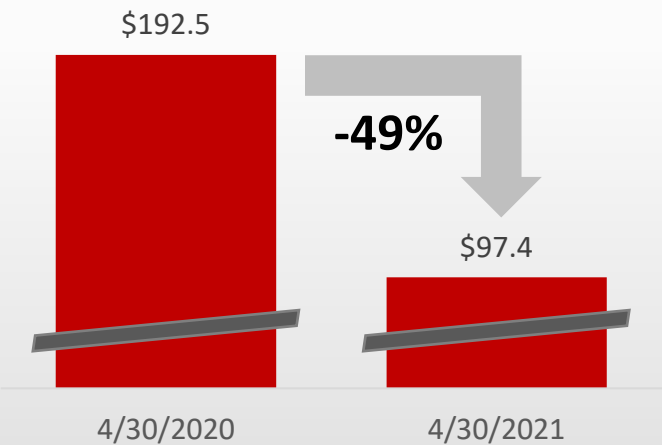


# We successfully navigated the COVID-19 pandemic due to FY21 de-risking strategies

In March 2020, we took decisive actions to de-risk our business and enhance our balance sheet

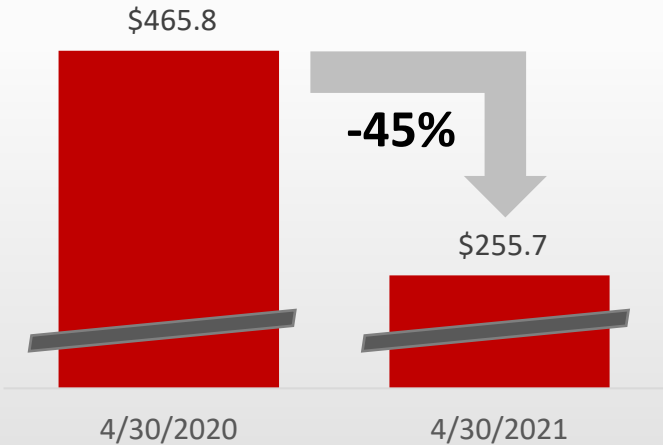
## 60+ day delinquency balance (\$ in millions)

Tighter underwriting has driven a significant improvement in performance of the portfolio



## Re-aged customer accounts (\$ in millions)

The dollar balance of re-aged customer accounts has declined as a result of more stringent re-age policies



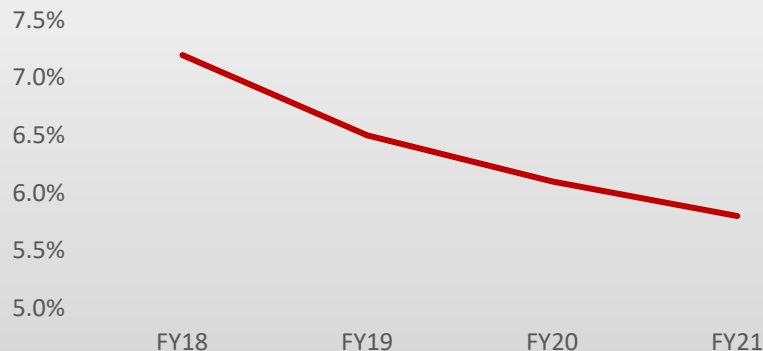
These actions helped us navigate the pandemic and we are emerging from the crisis stronger and better positioned to compete in a rapidly changing market

# Strong balance sheet and flexible capital structure

- Focused on strengthening the balance sheet
- Entered FY22 with significant liquidity and a flexible capital structure
- In Q1 FY22, amended and extended \$650 million ABL agreement to March of FY26
- In Q1 FY22, completed the redemption of the 7.250% Senior Notes using existing sources of liquidity
- Successfully executed 9 ABS transactions since re-entering the ABS market in 2015

## Effective interest rate

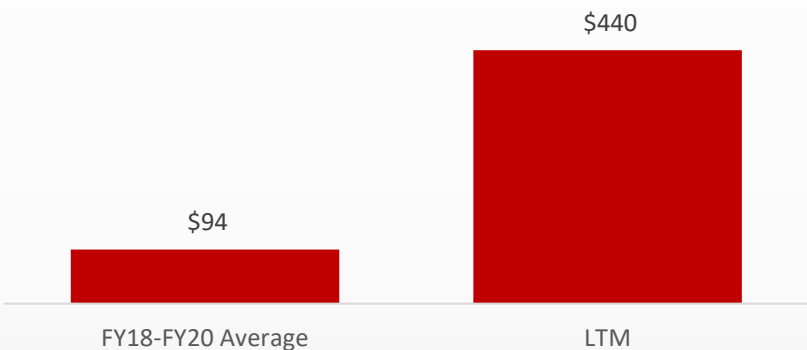
Continued deleveraging and better ABS pricing has driven a reduction in our effective interest rate



Note: LTM period represents the 12 months ended April 30, 2021

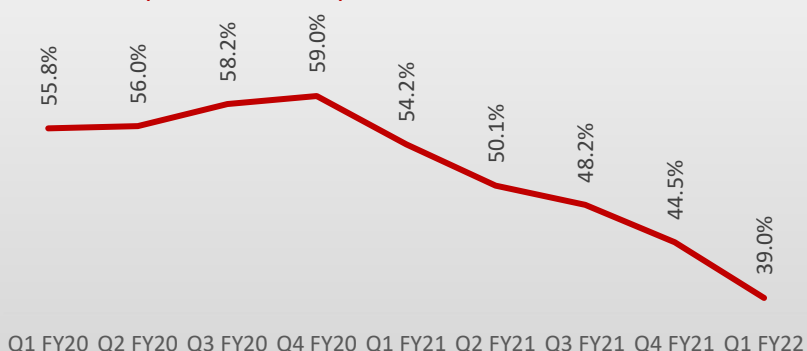
## Net cash provided by operating activities (\$ in millions)

Operating cash flow increase driven by growth in cash and third-party financed sales, strong cash collections and tighter underwriting



## Net debt as percent of portfolio balance

Year-over-year increase in operating cash flow driving a reduction in net debt as a percent of the portfolio balance



# First Quarter Fiscal 2022 Highlights

(\$ in millions, except per share amounts)

	Q1 FY22	Q1 FY21	Variance
<b>Revenues:</b>			
Net sales	\$ 291.3	\$ 230.3	\$ 61.0
Finance charges and other revenues	72.4	86.8	(14.4)
<b>Total revenues</b>	<b>\$ 363.7</b>	<b>\$ 317.2</b>	<b>\$ 46.5</b>
<b>Costs and expenses:</b>			
Cost of goods sold	\$ 184.9	\$ 147.0	\$ 37.9
Selling, general and administrative expense	126.0	113.0	13.0
Provision for bad debts	(17.1)	117.3	(134.4)
Charges and credits	-	2.1	(2.1)
<b>Total costs and expenses</b>	<b>293.8</b>	<b>379.4</b>	<b>(85.6)</b>
<b>Operating income (loss)</b>	<b>69.9</b>	<b>(62.2)</b>	<b>132.1</b>
Interest expense	9.2	15.0	(5.8)
Loss on extinguishment of debt	1.2	-	1.2
<b>Income (loss) before income taxes</b>	<b>59.5</b>	<b>(77.2)</b>	<b>136.7</b>
Provision (benefit) for income taxes	14.1	(21.0)	35.1
<b>Net income (loss)</b>	<b>\$ 45.4</b>	<b>\$ (56.2)</b>	<b>\$ 101.6</b>
<b>Diluted Earnings Per Share</b>	<b>\$ 1.52</b>	<b>\$ (1.95)</b>	<b>\$ 3.47</b>
<b>Adjusted Net Income (loss) per Diluted Share</b>	<b>\$ 1.55</b>	<b>\$ (1.89)</b>	<b>\$ 3.44</b>

Retail gross margin	36.5%	36.2%	30 bps
SG&A as a percent of revenue	34.7%	35.6%	-90 bps
Net yield	23.7%	21.3%	240 bps
Charge-off percentage	15.3%	15.1%	20 bps
Credit spread	8.4%	6.2%	220 bps
Effective tax rate	23.7%	27.2%	-350 bps

## Financial Highlights

- Record quarterly GAAP diluted earnings per share of \$1.52, compared to (\$1.95) in Q1 of last year
- Year-over-year increase in SG&A expense of 11.5%, primarily due to the addition of 13 new showrooms and higher operating expenses
  - Increase in operating expenses was primarily driven by higher variable expenses associated with sales and the lapping of certain COVID-19 related reductions, which were partially offset by continued focus on cost controls

## Retail

- Total retail sales increased 26.5% compared to Q1 last fiscal year, including a same store sales increase of 19.4%, as we capitalized on robust consumer demand, the benefits of the most recent round of government stimulus, and the successful execution of our strategic initiatives
  - Highest quarterly same store sales in almost eight years
  - Same store sales 2-year stack up 1.8%
  - Sales of cash and third-party financed transactions increased by 70%
- Retail gross margin of 36.5%, 30 bps points higher than Q1 last fiscal year, driven primarily by a shift in sales from lower margin products to higher margin products and the impact of fixed logistics expense on higher sales

## Credit

- Most profitable credit segment quarterly performance in company's history
- 60+ day delinquency and re-aged customer accounts declined \$95.1 million and \$210.1 million year-over-year, respectively
- Decrease in provision for bad debts primarily driven by a decrease in the allowance for bad debts during the current year compared to an increase during the prior year and by a year-over-year decrease in net charge-offs
- Finance charges and other revenue declined 16.6% primarily due to a 24.8% decrease in the average outstanding balance of the customer accounts receivable portfolio and a decline in the balance of sale of our in-house credit financing. These decreases were partially offset by an increase in the yield rate, from 21.3% in the prior year to a record 23.7% in the current year



## FY2022 Outlook

Same store sales	<ul style="list-style-type: none"><li>• Increase high-single digits, though demand and macroeconomic uncertainty remain high in the back half of the year</li></ul>
New stores	<ul style="list-style-type: none"><li>• Open a total of eleven to thirteen new showrooms, including seven already open</li></ul>
Finance charges and other revenue	<ul style="list-style-type: none"><li>• Down on a year-over-year basis due to a lower balance of customer receivables</li></ul>
Retail gross margin	<ul style="list-style-type: none"><li>• Roughly inline with the prior year</li></ul>
Consolidated SG&A	<ul style="list-style-type: none"><li>• Increase on a two-year basis primarily driven by more new stores, as we expect tighter cost controls to largely offset continued investments in our growth initiatives</li></ul>
Provision	<ul style="list-style-type: none"><li>• Down year-over-year throughout the current fiscal year, but not at the level we saw in the first quarter, primarily due to a lower balance of customer receivables, improvements in our credit quality, and an encouraging economic outlook</li></ul>

\* Outlook communicated on June 3, 2021. The fact that this information is included in this presentation should not be taken to confirm Conn's outlook as of any subsequent date.

## Appendix: Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Diluted Share

### ADJUSTED NET INCOME AND ADJUSTED NET INCOME (LOSS) PER DILUTED SHARE

	Three Months Ended April 30,	
	2021	2020
<i>(\$ in millions, except per share amounts)</i>		
<b>Net income (loss), as reported</b>	\$45.4	(\$56.2)
Adjustments:		
Loss on extinguishment of debt <sup>(1)</sup>	1.2	-
Professional fees <sup>(2)</sup>	-	2.1
Tax impact of adjustments	(0.3)	(0.5)
<b>Net income (loss), as adjusted</b>	<b>\$46.3</b>	<b>(\$54.6)</b>
Weighted average common shares outstanding - Diluted	29,881,407	28,822,396
<b>Diluted earnings (loss) per share:</b>		
As reported	\$ 1.52	\$ (1.95)
As adjusted	\$ 1.55	\$ (1.89)

(1) Represents a loss of \$1.0 million from retirement of \$141.2 million aggregate principal amount of our 7.25% senior notes due 2022 ("Senior Notes") and a loss of \$0.2 million related to the amendment of our Fifth Amended and Restated Loan and Security Agreement.

(2) Represents professional fees associated with non-recurring expenses related to fiscal year 2020.

## Appendix: Net Debt as Percentage of Customer Accounts Receivable Portfolio Balance

### NET DEBT AS PERCENTAGE OF CUSTOMER ACCOUNTS RECEIVABLE PORTFOLIO BALANCE

*in thousands*

	April 30, 2021	January 31, 2021	October 31, 2020	July 31, 2020	April 30, 2020	January 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019
Current finance lease obligations	\$ 898	\$ 934	\$ 769	\$ 758	\$ 772	\$ 605	\$ 607	\$ 2,558	\$ 25,191
Long-term debt and finance lease obligations	492,055	608,635	800,586	748,902	1,172,987	1,025,535	965,063	945,981	919,250
<b>Total debt</b>	<b>492,953</b>	<b>609,569</b>	<b>801,355</b>	<b>749,660</b>	<b>1,173,759</b>	<b>1,026,140</b>	<b>965,670</b>	<b>948,539</b>	<b>944,441</b>
Cash and cash equivalents	\$ 6,568	\$ 9,703	\$ 107,822	\$ 6,385	\$ 287,337	\$ 5,485	\$ 4,672	\$ 7,563	\$ 9,767
Restricted cash	51,647	50,557	78,374	63,836	73,455	75,370	49,247	68,219	78,043
<b>Total cash</b>	<b>58,215</b>	<b>60,260</b>	<b>186,196</b>	<b>70,221</b>	<b>360,792</b>	<b>80,855</b>	<b>53,919</b>	<b>75,782</b>	<b>87,810</b>
<b>Net debt</b>	<b>\$ 434,738</b>	<b>\$ 549,309</b>	<b>\$ 615,159</b>	<b>\$ 679,439</b>	<b>\$ 812,967</b>	<b>\$ 945,285</b>	<b>\$ 911,751</b>	<b>\$ 872,757</b>	<b>\$ 856,631</b>
<b>Customer accounts receivable portfolio balance</b>	<b>\$ 1,113,335</b>	<b>\$ 1,233,717</b>	<b>\$ 1,276,100</b>	<b>\$ 1,357,030</b>	<b>\$ 1,499,965</b>	<b>\$ 1,602,037</b>	<b>\$ 1,567,700</b>	<b>\$ 1,557,920</b>	<b>\$ 1,534,692</b>
<b>Net debt as a percentage of customer accounts receivable portfolio balance</b>	<b>39.0%</b>	<b>44.5%</b>	<b>48.2%</b>	<b>50.1%</b>	<b>54.2%</b>	<b>59.0%</b>	<b>58.2%</b>	<b>56.0%</b>	<b>55.8%</b>