

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

---

**FORM 8-K**

**CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**Date of Report: December 10, 2003**  
(Date of earliest event reported)

---

**CONN'S, INC.**

(Exact name of registrant as specified in charter)

**Delaware**  
(State or other Jurisdiction of  
Incorporation or Organization)

**000-50421**  
(Commission  
File Number)

**06-1672840**  
(IRS Employer  
Identification No.)

**3295 College Street  
Beaumont, Texas 77701**  
(Address of Principal Executive Offices and zip code)

**(409) 832-1696**  
(Registrant's telephone number, including area code)

**N/A**  
(Former Name or Former Address, if Changed Since Last Report)

---

**Item 5. Other Events.**

From time to time Conn's Inc., a Delaware corporation, (the "Company," the "Registrant," "we," "us" or "our") may make oral forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including, without limitation, during the Company's earnings analyst call for the Company's financial results for the third quarter ended October 31, 2003. In order to avail itself of the safe harbor of those sections, the Company is filing the following risk factors which the Company may refer to when making oral forward-looking statements by referring to this Current Report.

**RISK FACTORS**

*An investment in our common stock involves risks and uncertainties. You should consider carefully the following information about these risks and uncertainties before buying shares of our common stock. The occurrence of any of the risks described below could adversely affect our business, financial condition or results of operations. In that case, the trading price of our stock could decline, and you could lose all or part of the value of your investment.*

**Our success depends substantially on our ability to open and operate profitably new stores in existing, adjacent and new geographic markets.**

We plan to open an additional one to three new stores in fiscal 2004 and to continue our expansion by opening an additional four to six new stores in fiscal 2005. These new stores include at least three new stores in the Dallas/Fort Worth metroplex, where we have not previously operated prior to September 2003. We have not yet selected sites for all of the stores that we plan to open within the next 18 months. We may not be able to open all of these stores, and any new stores that we open may not be profitable. Either of these circumstances could have a material adverse effect on our financial results.

There are a number of factors that could affect our ability to open and operate new stores consistent with our business plan, including:

- competition in existing, adjacent and new markets;
- competitive conditions, consumer tastes and discretionary spending patterns in adjacent and new markets that are different from those in our existing markets;
- a lack of consumer demand for our products at levels that can support new store growth;
- limitations created by covenants and conditions under our credit facilities and our asset-backed securitization program;
- the availability of additional financial resources;

- the substantial outlay of financial resources required to open new stores and the possibility that we may recognize little or no related benefit;
- an inability or unwillingness of vendors to supply product on a timely basis at competitive prices;
- the failure to open enough stores in new markets to achieve a sufficient market presence;
- the inability to identify suitable sites and to negotiate acceptable leases for these sites;
- unfamiliarity with local real estate markets and demographics in adjacent and new markets;
- problems in adapting our distribution and other operational and management systems to an expanded network of stores;
- difficulties associated with the hiring, training and retention of additional skilled personnel, including store managers; and
- higher costs for print, radio and television advertising.

These factors may also affect the ability of any newly opened stores to achieve sales and profitability levels comparable with our existing stores or to become profitable at all.

**If we are unable to manage our growing business, our revenues may not increase as anticipated, our cost of operations may rise and our profitability may decline.**

We face many business risks associated with growing companies, including the risk that our management, financial controls and information systems will be inadequate to support our planned expansion. Our growth plans will require management to expend significant time and effort and additional resources to ensure the continuing adequacy of our financial controls, operating procedures, information systems, product purchasing, warehousing and distribution systems and employee training programs. We cannot predict whether we will be able to manage effectively these increased demands or respond on a timely basis to the changing demands that our planned expansion will impose on our management, financial controls and information systems. If we fail to manage successfully the challenges our growth poses, do not continue to improve these systems and controls or encounter unexpected difficulties during our expansion, our business, financial condition, operating results or cash flows could be materially adversely affected.

**The inability to obtain funding for our credit operations through securitization facilities or other sources may adversely affect our business and expansion plans.**

We finance most of our customer receivables through asset-backed securitization facilities. The master trust arrangement governing these facilities currently provides for two separate series of asset-backed notes that allow us to finance up to \$450 million in customer receivables. Under each note series, we transfer customer receivables to a qualifying special purpose entity in exchange for cash, subordinated securities and the right to receive cash flows equal to the interest rate spread between the transferred receivables and the notes issued to third parties (“interest only strip”). This qualifying special purpose entity, in turn, issues notes that are collateralized by these receivables and entitle the holders of the notes to participate in certain cash flows from these receivables. The Series A program is a \$250 million variable funding note held by Three Pillars Funding Corporation, of which \$46 million was drawn as of July 31, 2003. The Series B program consists of \$200 million in private bond placements that was fully drawn as of July 31, 2003.

Our ability to raise additional capital through further securitization transactions, and to do so on economically favorable terms, depends in large part on factors that are beyond our control.

These factors include:

- conditions in the securities and finance markets generally;
- conditions in the markets for securitized instruments;
- the credit quality and performance of our financial instruments;
- our ability to obtain financial support for required credit enhancement;
- our ability to service adequately our financial instruments;
- the absence of any material downgrading or withdrawal of ratings given to our securities previously issued in securitizations; and
- prevailing interest rates.

Our ability to finance customer receivables under our current asset-backed securitization facilities depends on our compliance with covenants relating to our business and our customer receivables. If these programs reach their capacity or otherwise become unavailable, and we are unable to arrange substitute securitization facilities or other sources of financing, we may have to limit the amount of credit that we make available through our customer finance programs. This may adversely affect revenues and results of operations. Further, our inability to obtain funding through securitization facilities or other sources may adversely affect the profitability of outstanding accounts under our credit programs if existing customers fail to repay outstanding credit due to our refusal to grant additional credit. Since our cost of funds under our bank credit facility is expected to be greater in future years than our cost of funds under our current securitization facility, increased reliance on our bank credit facility may adversely affect our net income.

---

**An increase in short-term interest rates may adversely affect our profitability.**

The interest rates on our bank credit facility and the Series A program under our asset-backed securitization facility fluctuate up or down based upon the LIBOR rate, the prime rate of our administrative agent or the federal funds rate in the case of the bank credit facility and the commercial paper rate in the case of the Series A program. To the extent that such rates increase, the fair value of the interest only strip will decline and our interest expense could increase which may result in a decrease in our profitability.

**We have significant future capital needs which we may be unable to fund, and we may need additional funding sooner than currently anticipated.**

We will need substantial capital to finance our expansion plans, including funds for capital expenditures, pre-opening costs and initial operating losses related to new store openings. We may not be able to obtain additional financing on acceptable terms. If adequate funds are not available, we will have to curtail projected growth, which could materially adversely affect our business, financial condition, operating results or cash flows.

We estimate that capital expenditures during fiscal 2004 will be approximately \$10 million and that capital expenditures during future years will likely exceed this amount. We expect that cash provided by operating activities, available borrowings under our credit facility, access to the unfunded portion of our asset-backed securitization program and the net proceeds of our initial public offering will be sufficient to fund our operations, store expansion and updating activities and capital expenditure programs through at least January 31, 2005. However, this may not be the case. We may be required to seek additional capital earlier than anticipated if future cash flows from operations fail to meet our expectations and costs or capital expenditures related to new store openings exceed anticipated amounts.

**A decrease in our credit sales could lead to a decrease in our product sales and profitability.**

Historically, we have financed over 56% of our retail sales through our internal credit programs. Our ability to provide credit as a financing alternative for our customers depends on many factors, including the quality of our accounts receivable portfolio. Payments on some of our credit accounts become delinquent from time to time, and some accounts end up in default, due to several factors, including general and local economic conditions. As we expand into new markets, we will obtain new credit accounts that may present a higher risk than our existing credit accounts since new credit customers do not have an established credit history with us. A general decline in the quality of our accounts receivable portfolio could lead to a reduction of available credit provided through our finance operations. As a result, we might sell fewer products, which could adversely affect our earnings. Further, because approximately 60% of our credit customers make their credit account payments in our stores, any decrease in credit sales could reduce traffic in our stores and lower our revenues. A decline in the credit quality of our credit accounts could also cause an increase in our credit losses, which could require us to increase the provision for bad debts on our statement of operations and result in an adverse effect on our earnings.

**A downturn in the economy may affect consumer purchases of discretionary items, which could reduce our net sales.**

A large portion of our sales represent discretionary spending by our customers. Many factors affect discretionary spending, including world events, war, conditions in financial markets, general business conditions, interest rates, inflation, consumer debt levels, the availability of consumer credit, taxation, unemployment trends and other matters that influence consumer confidence and spending. Our customers' purchases of discretionary items, including our products, could decline during periods when disposable income is lower or periods of actual or perceived unfavorable economic conditions. If this occurs, our net sales and profitability could decline.

**We face significant competition from national, regional and local retailers of major home appliances and consumer electronics.**

The retail market for major home appliances and consumer electronics is highly fragmented and intensely competitive. We currently compete against a diverse group of retailers, including national mass merchants such as Sears, Wal-Mart, Target, Sam's Club and Costco, specialized national retailers such as Circuit City and Best Buy, home improvement stores such as Lowe's and Home Depot, and locally-owned regional or independent retail specialty stores that sell major home appliances and consumer electronics similar, and often identical, to those we sell. We also compete with retailers that market products through store catalogs and the Internet. In addition, there are few barriers to entry into our current and contemplated markets, and new competitors may enter our current or future markets at any time.

We may not be able to compete successfully against existing and future competitors. Some of our competitors have financial resources that are substantially greater than ours and may be able to purchase inventory at lower costs and better sustain economic downturns. Our competitors may respond more quickly to new or emerging technologies and may have greater resources to devote to promotion and sale of products and services. If two or more competitors consolidate their businesses or enter into strategic partnerships, they may be able to compete more effectively against us.

Our existing competitors or new entrants into our industry may use a number of different strategies to compete against us, including:

- expansion by our existing competitors or entry by new competitors into markets where we currently operate;
- lower pricing;
- aggressive advertising and marketing;
- extension of credit to customers on terms more favorable than we offer;
- larger store size, which may result in greater operational efficiencies, or innovative store formats; and

- adoption of improved retail sales methods.

Competition from any of these sources could cause us to lose market share, revenues and customers, increase expenditures or reduce prices, any of which could have a material adverse effect on our results of operations.

**If new products are not introduced or consumers do not accept new products, our sales may decline.**

Our ability to maintain and increase revenues depends to a large extent on the periodic introduction and availability of new products and technologies. We believe that the introduction and continued growth in consumer acceptance of new products, such as DVD players, digital television and digital radio, will have a significant impact on our ability to increase revenues. These products are subject to significant technological changes and pricing limitations and are subject to the actions and cooperation of third parties, such as movie distributors and television and radio broadcasters, all of which could affect the success of these and other new consumer electronics technologies. It is possible that new products will never achieve widespread consumer acceptance.

**If we fail to anticipate changes in consumer preferences, our sales may decline.**

Our products must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to change. Our success depends upon our ability to anticipate and respond in a timely manner to trends in consumer preferences relating to major household appliances and consumer electronics. If we fail to identify and respond to these changes, our sales of these products may decline. In addition, we often make commitments to purchase products from our vendors up to six months in advance of proposed delivery dates. Significant deviation from the projected demand for products that we sell may have a material adverse effect on our results of operations and financial condition, either from lost sales or lower margins due to the need to reduce prices to sell excess inventory.

**A disruption in our relationships with, or in the operations of, any of our key suppliers could cause our sales to decline.**

The success of our business and growth strategies depends to a significant degree on our relationships with our suppliers, particularly our brand name suppliers such as General Electric, Whirlpool, Frigidaire, Maytag, Mitsubishi, Sony, Hitachi, Panasonic, Thomson Consumer Electronics, Toshiba, Hewlett Packard and Compaq. We do not have long term supply agreements or exclusive arrangements with the majority of our vendors. We typically order our inventory through the issuance of individual purchase orders to vendors. We also rely on our suppliers for cooperative advertising support. We may be subject to rationing by suppliers with respect to a number of limited distribution items. In addition, we rely heavily on a relatively small number of suppliers. Our top six suppliers represented 65.3% of our purchases for fiscal 2003, and the top two suppliers represented more than 29.2% of our total purchases. The loss of any one or more of these key vendors or our failure to establish and maintain relationships with

these and other vendors could have a material adverse effect on our results of operations and financial condition.

Our ability to enter new markets successfully depends, to a significant extent, on the willingness and ability of our vendors to supply merchandise to additional warehouses or stores. If vendors are unwilling or unable to supply some or all of their products to us at acceptable prices in one or more markets, our results of operations and financial condition could be materially adversely affected.

Furthermore, we rely on credit from vendors to purchase our products. As of October 31, 2003, we had \$30.6 million in accounts payable and \$54.4 million in merchandise inventories. A substantial change in credit terms from vendors or vendors' willingness to extend credit to us would reduce our ability to obtain the merchandise that we sell, which could have a material adverse effect on our sales and results of operations.

**You should not rely on our comparable store sales as an indication of our future results of operations because they fluctuate significantly.**

Our historical same store sales growth figures have fluctuated significantly from quarter to quarter. For example, same store sales growth for each of the quarters of fiscal 2003 and the three quarters included in the nine month period ended October 31, 2003 were 14.7%, 0.1%, (3.2%), (3.7%), 1.1%, (2.5%) and 0.3%, respectively. Even though we achieved double-digit same store sales growth in the past, we may not be able to increase same store sales in the future. This is reflected in the declining rate of increases or, in some cases, actual decreases, in same store sales that have occurred over the last several quarters. A number of factors have historically affected, and will continue to affect, our comparable store sales results, including:

- changes in competition;
- general economic conditions;
- new product introductions;
- consumer trends;
- changes in our merchandise mix;
- changes in the relative sales price points of our major product categories;
- the impact of our new stores on our existing stores, including potential decreases in existing stores' sales as a result of opening new stores;
- weather conditions in our markets;
- timing of promotional events; and
- our ability to execute our business strategy effectively.



Changes in our quarterly and annual comparable store sales results could cause the price of our common stock to fluctuate significantly.

**Because we experience seasonal fluctuations in our sales, our quarterly results will fluctuate, which could adversely affect our common stock price.**

We experience seasonal fluctuations in our net sales and operating results. In fiscal 2003, we generated 27.1% and 25.1% of our net sales and 29.6% and 26.4% of our net income in the fiscal quarters ended January 31 (which include the holiday selling season) and July 31 (which include the effects of summer air conditioner sales), respectively. We also incur significant additional expenses during these fiscal quarters due to higher purchase volumes and increased staffing. If we miscalculate the demand for our products generally or for our product mix during the fiscal quarters ending January 31 and July 31, our net sales could decline, resulting in excess inventory, which could harm our financial performance. A shortfall in expected net sales, combined with our significant additional expenses during these fiscal quarters, could cause a significant decline in our operating results. This could adversely affect our common stock price.

**Our business could be adversely affected by changes in consumer protection laws and regulations.**

Federal and state consumer protection laws and regulations, such as the Fair Credit Reporting Act, limit the manner in which we may offer and extend credit. Since we finance a substantial portion of our sales, any adverse change in the regulation of consumer credit could adversely affect our total revenues and gross margins. For example, new laws or regulations could limit the amount of interest or fees that may be charged on consumer loan accounts or restrict our ability to collect on account balances, which would have a material adverse effect on our earnings. Compliance with existing and future laws or regulations could require us to make material expenditures, in particular personnel training costs, or otherwise adversely affect our business or financial results. Failure to comply with these laws or regulations, even if inadvertent, could result in negative publicity, fines or additional licensing expenses, any of which could have an adverse effect on our results of operations and stock price.

**Pending litigation relating to the sale of credit insurance and the sale of service maintenance agreements in the retail industry, including one lawsuit in which we are the defendant, could adversely affect our business.**

States' attorneys general and private plaintiffs have filed lawsuits against other retailers relating to improper practices conducted in connection with the sale of credit insurance in several jurisdictions around the country. We offer credit insurance in all of our stores and require the purchase of property credit insurance products from us or from third party providers in connection with sales of merchandise on credit; therefore, similar litigation could be brought against us. Additionally, we have been named as a defendant in a purported class action lawsuit alleging breach of contract and violations of state and federal consumer protection laws arising from the terms of our service maintenance agreements. While we believe we are in full compliance with applicable laws and regulations, if we are found liable in the class action lawsuit or any future lawsuit regarding credit insurance or service maintenance agreements, we could be

required to pay substantial damages or incur substantial costs as part of an out-of-court settlement, either of which could have a material adverse effect on our results of operations and stock price. An adverse judgment or any negative publicity associated with our service maintenance agreements or any potential credit insurance litigation could also affect our reputation, which could have a negative impact on sales.

**If we lose key management or are unable to attract and retain the highly qualified sales personnel required for our business, our operating results could suffer.**

Our future success depends to a significant degree on the skills, experience and continued service of Thomas J. Frank, Sr., our Chairman of the Board and Chief Executive Officer, William C. Nylin, Jr., our President and Chief Operating Officer, C. William Frank, our Executive Vice President and Chief Financial Officer, David R. Atnip, our Senior Vice President and Secretary/Treasurer, and other key personnel. We have entered into employment agreements with each of these named individuals, all of which include confidentiality and other customary provisions. If we lose the services of any of these individuals, or if one or more of them or other key personnel decide to join a competitor or otherwise compete directly or indirectly with us, our business and operations could be harmed, and we could have difficulty in implementing our strategy. In addition, as our business grows, we will need to locate, hire and retain additional qualified sales personnel in a timely manner and develop, train and manage an increasing number of management level sales associates and other employees. Competition for qualified employees could require us to pay higher wages to attract a sufficient number of employees, and increases in the federal minimum wage or other employee benefits costs could increase our operating expenses. If we are unable to attract and retain personnel as needed in the future, our net sales growth and operating results could suffer.

**Because our stores are located in Texas and Louisiana, we are subject to regional risks.**

Our 45 stores are located exclusively in Texas and Louisiana. This subjects us to regional risks, such as the economy, weather conditions, hurricanes and other natural disasters. If the region suffered an economic downturn or other adverse regional event, there could be an adverse impact on our net sales and profitability and our ability to implement our planned expansion program. Several of our competitors operate stores across the United States and thus are not as vulnerable to the risks of operating in one region.

**Our information technology infrastructure is vulnerable to damage that could harm our business.**

Our ability to operate our business from day to day, in particular our ability to manage our credit operations and inventory levels, largely depends on the efficient operation of our computer hardware and software systems. We use management information systems to track inventory information at the store level, communicate customer information, aggregate daily sales information and manage our credit portfolio. These systems and our operations are vulnerable to damage or interruption from:

- power loss, computer systems failures and Internet, telecommunications or data network failures;
- operator negligence or improper operation by, or supervision of, employees;

- physical and electronic loss of data or security breaches, misappropriation and similar events;
- computer viruses;
- intentional acts of vandalism and similar events; and
- hurricanes, fires, floods and other natural disasters.

The software that we have developed to use in granting credit may contain undetected errors that could cause our network to fail or our expenses to increase. Any failure due to any of these causes, if it is not supported by our disaster recovery plan, could cause an interruption in our operations and result in reduced net sales and profitability.

**If we are unable to maintain our current insurance coverage for our service maintenance agreements, our customers could incur additional costs and our repair expenses could increase, which could adversely affect our financial condition and results of operations.**

There are a limited number of insurance carriers that provide coverage for our service maintenance agreements. If insurance becomes unavailable from our current carriers for any reason, we may be unable to provide replacement coverage on the same terms, if at all. Even if we are able to obtain replacement coverage, higher premiums could have an adverse impact on our profitability if we are unable to pass along the increased cost of such coverage to our customers. Inability to obtain insurance coverage for our service maintenance agreements could cause fluctuations in our repair expenses and greater volatility of earnings.

**Changes in trade regulations, currency fluctuations and other factors beyond our control could affect our business.**

A significant portion of our inventory is manufactured overseas and in Mexico. Changes in trade regulations, currency fluctuations or other factors beyond our control may increase the cost of items we purchase or create shortages of these items, which in turn could have a material adverse effect on our results of operations and financial condition. Conversely, significant reductions in the cost of these items in U.S. dollars may cause a significant reduction in the retail prices of those products, resulting in a material adverse effect on our sales, margins or competitive position.

**We may be unable to protect our intellectual property rights, which could impair our name and reputation.**

We believe that our success and ability to compete depends in part on consumer identification of the name “Conn’s.” We have registered or applied for registration of our

trademark “Conn’s” and our logo. We intend to protect vigorously our trademark against infringement or misappropriation by others. A third party, however, could misappropriate our intellectual property in the future. The enforcement of our proprietary rights through litigation could result in substantial costs to us that could have a material adverse effect on our financial condition or results of operations.

**Item 7. Exhibits.**

Exhibit 99.1 Press Release, dated December 10, 2003.

**Item 12. Results of Operations and Financial Condition.**

On December 10, 2003, the Company issued a press release announcing its financial results for the third quarter ended October 31, 2003. A copy of the press release is furnished herewith as Exhibit 99.1 and is incorporated herein by reference.

All of the information contained in Item 7 and Item 12 in this Form 8-K and the accompanying exhibit shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference in any filing under the Securities Act of 1933, as amended.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**CONN'S, INC.**

Date: December 10, 2003

By: /s/ C. William Frank

---

C. William Frank  
Executive Vice President and Chief Financial  
Officer

**EXHIBIT INDEX**

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release, dated December 10, 2003

**FOR IMMEDIATE RELEASE:**

**CONN'S, INC. REPORTS THIRD QUARTER 2004 EARNINGS**

**BEAUMONT, TEXAS (December 10, 2003)** – Conn's, Inc (NASDAQ/NM: CONN), a specialty retailer of home appliances, consumer electronics, home office products, bedding and lawn and garden products, today announced record results for the third quarter ended October 31, 2003.

Net income available for common stockholders for the third quarter increased 23.2% to \$4.7 million compared to \$3.8 million for the third quarter of last year. Earnings per share available for common stockholders increased 21.7% to \$0.28 from \$0.23 in the prior year. Net revenues for the quarter ended October 31, 2003 increased 9.4% to \$117.4 million compared with \$107.3 million for the quarter ended October 31, 2002. This increase in revenue included net sales increases of \$9.4 million, or 10.0%, and increases from "Finance charges and other" of \$0.7 million, or 4.9%. Same store sales (revenues earned in stores operated for the entirety of both periods) increased 4.1% for the third quarter of fiscal 2004.

Net revenues for the nine months ended October 31, 2003 increased 9.2% to \$355.3 million compared with \$325.4 million for the nine months ended October 31, 2002. This increase in revenue included net sales increases of \$28.5 million, or 10.0%, and increases from "Finance charges and other" of \$1.4 million, or 3.4%. Same store sales increased 0.3% for the first nine months of fiscal 2004. Net income available for common stockholders for the nine months ended October 31, 2003 increased 10.2% to \$14.2 million compared to \$12.9 million for the first nine months of last year. Earnings per share available for the common stockholder increased 10.4% to \$0.85 from \$0.77 in the prior year.

During the third quarter, the Company made its entrance into the Dallas/Fort Worth metroplex with the opening of its first two stores in this market in September and October. A third store was opened in this market in late November, bringing the Company's total store count to 45. The Company is in the process of developing additional sites in this market and still expects to open four to six new locations in this market in the fiscal year ended January 31, 2005.

"We are pleased with our performance for the quarter just ended, particularly considering that we incurred substantial start up costs to enter the Dallas/Fort Worth market all of which was absorbed into expense for the third quarter," said Thomas J. Frank, Conn's Chairman and Chief Executive Officer. "We feel that the same store sales performance for such quarter illustrates what we believe to be the turn around in our recent same store sales trend. Our emphasis on track sales and our ability to take advantage of new product opportunities in bedding and lawn and garden categories seems to be providing positive results. Our holiday selling season is off to an impressive start, and we hope to see positive same store sales increases for the balance of this fiscal year."

The initial public offering of Conn's, Inc. common stock became effective on November 24, 2003 and closed on December 1, 2003. Because the closing took place subsequent to the completion of the quarter ended October 31, 2003, the condensed consolidated financial statements included herein include the accounts of Conn Appliances, Inc. and its subsidiaries, limited liability companies and limited partnerships, all of which are wholly-owned. These statements have not been modified to reflect the merger with Conn's, Inc. that occurred immediately prior to the initial public offering.

The per share results presented herein do not include the impact of the recently completed initial public offering whereby the company sold 4,000,000 shares of common stock to the public and a selling stockholder sold 150,000 shares of common stock to the public. The per share results also exclude the effect of approximately 1,750,000 common shares that are expected to be issued as a result of the redemption of preferred stock. The per share results do include the preferred dividends that are payable to preferred stockholders prior to the redemption of such stock. Conn's, Inc. now is the present holding company and had a \$1,000 capitalization and no operating activities prior to this merger.

#### **EPS Guidance**

The Company also issued guidance for the fourth quarter ended January 31, 2004 of earnings per diluted share of approximately \$0.32 to \$0.34. Guidance issued for the entire year included earnings per diluted share of approximately \$1.15 to \$1.17, with comparable store sales increase in the low single digit range. The quarterly and full year estimate of earnings per diluted share is calculated in accordance with GAAP. If the shares issued as a result of the IPO, including the over-allotment, were considered outstanding for the entire period, EPS for the quarter ended January 31, 2004 is projected to be approximately \$0.29 to \$0.31 and EPS for the full year ended January 31, 2004 is projected to be approximately \$0.97 to \$0.99.

#### **Conference Call Information**

Conn's, Inc. will host a conference call and audio webcast tomorrow, December 11, 2003 at 10:00 AM, CST, to discuss financial results for the quarter ended October 31, 2003. The webcast will be available at [www.conns.com](http://www.conns.com) and will be archived for 30 days. The call in number is 800-299-9086, and the participant password is 72097760.

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

The Company is a specialty retailer currently operating 45 retail locations in Texas and Louisiana. It sells major home appliances, including refrigerators, freezers, washers, dryers and ranges, and a variety of consumer electronics, including projection, plasma and LCD televisions, camcorders, VCRs, DVD players and home theater products. The Company also sells home office equipment, lawn and garden products and bedding, and continues to introduce additional product categories for the home to help increase same store sales and to respond to our customers' product needs.



Unlike many of its competitors, the Company provides in-house credit options for its customers. Historically, it has financed over 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, or the issuer, 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 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.*

**Contact:**

Thomas J. Frank  
Chairman and CEO  
(409) 832-1696 Ext. 3218

Conn Appliances, Inc  
Condensed Consolidated Statements of Operations  
(Unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2002	2003	2002	2003
<b>Revenues</b>				
Total net sales	\$ 93,586	\$ 102,977	\$ 283,909	\$ 312,419
Finance charges and other	13,737	14,413	41,479	42,887
<b>Total revenues</b>	<b>107,323</b>	<b>117,390</b>	<b>325,388</b>	<b>355,306</b>
<b>Cost and Expenses</b>				
Cost of goods sold, including warehousing and occupancy costs	64,215	72,687	195,854	222,558
Cost of parts sold, including warehousing and occupancy costs	1,168	1,038	3,418	3,091
Selling, general and administrative expense	31,371	33,405	95,284	97,559
Provision for bad debts	1,407	1,215	2,895	3,403
<b>Total cost and expenses</b>	<b>98,161</b>	<b>108,345</b>	<b>297,451</b>	<b>326,611</b>
<b>Operating income</b>	<b>9,162</b>	<b>9,045</b>	<b>27,937</b>	<b>28,695</b>
Interest expense	2,354	789	5,479	4,004
<b>Income before income taxes</b>	<b>6,808</b>	<b>8,256</b>	<b>22,458</b>	<b>24,691</b>
<b>Total provision for income taxes</b>	<b>2,431</b>	<b>2,933</b>	<b>7,996</b>	<b>8,760</b>
<b>Net income</b>	<b>4,377</b>	<b>5,323</b>	<b>14,462</b>	<b>15,931</b>
Less preferred dividends	(533)	(587)	(1,600)	(1,760)
<b>Net income available for common stockholders</b>	<b>\$ 3,844</b>	<b>\$ 4,736</b>	<b>\$ 12,862</b>	<b>\$ 14,171</b>
<b>Earnings per share:</b>				
Basic	\$ 0.23	\$ 0.28	\$ 0.77	\$ 0.85
Diluted	\$ 0.23	\$ 0.28	\$ 0.77	\$ 0.85
<b>Average common shares outstanding:</b>				
Basic	16,720	16,720	16,735	16,720
Diluted	16,720	16,720	16,735	16,720

CONN APPLIANCES, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>January 31, 2003</u>	<u>October 31, 2003</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,448	\$ 2,286
Interest in securitized assets and accounts receivable, net	73,420	83,231
Inventories	46,118	54,404
Deferred income taxes	3,981	3,799
Prepaid expenses and other assets	3,473	2,889
	<hr/>	<hr/>
<b>Total current assets</b>	<b>129,440</b>	<b>146,609</b>
<b>Non-current deferred tax assets and other costs</b>	<b>5,328</b>	<b>4,313</b>
<b>Total property and equipment, net</b>	<b>38,266</b>	<b>38,274</b>
<b>Goodwill and other</b>	<b>8,524</b>	<b>8,570</b>
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 181,558</b>	<b>\$ 197,766</b>
	<hr/>	<hr/>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Notes payable	\$ 7,500	\$ 8,215
Current portion of long-term debt	7,928	7,567
Accounts payable	24,501	30,585
Fair value of derivatives	2,895	1,121
Other current liabilities	16,632	18,454
	<hr/>	<hr/>
<b>Total current liabilities</b>	<b>59,456</b>	<b>65,942</b>
<b>Long-term debt</b>	<b>36,564</b>	<b>29,560</b>
<b>Non-current deferred tax liability and other</b>	<b>1,227</b>	<b>1,280</b>
<b>Fair value of derivatives</b>	<b>1,642</b>	<b>630</b>
	<hr/>	<hr/>
<b>Total stockholders' equity, net</b>	<b>82,669</b>	<b>100,354</b>
	<hr/>	<hr/>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 181,558</b>	<b>\$ 197,766</b>
	<hr/>	<hr/>

CONN APPLIANCES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)

	For the Nine Months Ended October 31,	
	2002	2003
<b>Cash flows from operating activities</b>		
Net income	\$ 14,462	\$ 15,931
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,017	5,031
Provision for bad debts	2,895	3,403
Provision for deferred income taxes	(1,674)	540
Gain from sale of property and equipment	(8)	64
Ineffectiveness of derivatives	70	(768)
Change in operating assets and liabilities, net	(21,871)	(12,540)
<b>Net cash provided (used) by operating activities</b>	(2,109)	11,661
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(9,431)	(6,260)
Proceeds from sale of property	8	1,289
<b>Net cash used by investing activities</b>	(9,423)	(4,971)
<b>Cash flows from financing activities</b>		
Purchase of treasury stock	(200)	—
Net borrowings (payments) under bank credit facilities	17,418	(2,942)
Payments on term note	(3,500)	(2,250)
Debt issuance costs	(1,523)	(203)
Payment of promissory notes	(994)	(1,457)
<b>Net cash provided (used) by financing activities</b>	11,201	(6,852)
<b>Net change in cash</b>	(331)	(162)
<b>Cash and cash equivalents</b>		
Beginning of the year	1,571	2,448
<b>End of the year</b>	\$ 1,240	\$ 2,286