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

# FORM 8-K/A

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

**Date of Report (Date of earliest event reported): December 18, 2023**

# CONN'S, INC.

(Exact name of registrant as specified in its charter)

| **Delaware** | **001-34956** | **06-1672840** |
|---|---|---|
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

| | |
|---|---|
| **2445 Technology Forest Blvd., Suite 800, The Woodlands, TX** | **77381** |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: **(936) 230-5899**

**Not Applicable**

(Former name, former address and former fiscal year, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☑Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Trading Symbol | Name of Each Exchange on Which Registered |
|---|---|---|
| **Common Stock, par value $0.01 per share** | **CONN** | **NASDAQ Global Select Market** |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

**Explanatory Note**

Conn's, Inc. ("the Company") hereby amends its Current Report on Form 8-K filed on December 18, 2023 in this Current Report on Form 8-K/A in order to include the historical audited consolidated financial statements of W.S. Badcock LLC (f/k/a W.S. Badcock Corporation) ("Badcock") required by Item 9.01(a) of Form 8-K and the pro forma financial information required by Item 9.01(b) of Form 8-K. Except as described above, all other information in the Company's Form 8-K filed on December 18, 2023 remains unchanged.

**Additional Information and Where to Find It**

This communication may be deemed to be solicitation material in respect of obtaining approval of the stockholders of the Company of the proposed transactions (the “Stockholder Approval”). In connection with obtaining the Stockholder Approval, the Company will file with the Securities and Exchange Commission (the “SEC”) and furnish to the Company’s stockholders a proxy statement and other relevant documents. This communication does not constitute a solicitation of any vote or approval. BEFORE MAKING ANY VOTING DECISION, THE COMPANY’S STOCKHOLDERS ARE URGED TO READ THE PROXY STATEMENT IN ITS ENTIRETY WHEN IT BECOMES AVAILABLE AND ANY OTHER DOCUMENTS TO BE FILED THE SEC IN CONNECTION WITH THE STOCKHOLDER APPROVAL OR INCORPORATED BY REFERENCE IN THE PROXY STATEMENT BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE TRANSACTION.

Stockholders will be able to obtain free copies of the proxy statement and other documents containing important information about the Company once such documents are filed with the SEC, through the website maintained by the SEC at http://www.sec.gov.

**Participants in the Solicitation**

The Company and its executive officers, directors, other members of management and employees may be deemed, under SEC rules, to be participants in the solicitation of proxies from the Company’s shareholders with respect to the proposed transaction. Information regarding the executive officers and directors of the Company is set forth in its definitive proxy statement for its 2023 annual meeting filed with the SEC on April 13, 2023, as amended. More detailed information regarding the identity of potential participants, and their direct or indirect interests, by securities holdings or otherwise, will be set forth in the proxy statement and other materials to be filed with the SEC in connection with the proposed transaction.

**Item 9.01 Financial Statements and Exhibits.**

(a) Financial Statements of Business Acquired.

The historical audited consolidated financial statements of Badcock as of and for the fiscal year ended December 31, 2022 (Successor) and for the transition period from November 22, 2021 through December 25, 2021 (Successor) and from July 1, 2021 through November 21, 2021 (Predecessor) and the fiscal year ended June 30, 2021 (Predecessor) are filed herewith as Exhibit 99.1 and incorporated herein by reference.

(b) Financial Statements of Business Acquired.

The historical unaudited consolidated financial statements of Badcock as of and for the period August 22, 2023 through September 30, 2023 (Successor) and for the period from January 1, 2023 through August 21, 2023 (Predecessor), and for the period from December 26, 2021 through September 24, 2022 (Predecessor) are filed herewith as Exhibit 99.2 and incorporated herein by reference.

(c) Pro Forma Financial Information.

The unaudited pro forma combined balance sheet of the Company and Badcock as of October 31, 2023 and the unaudited pro forma combined statement of operations for the twelve months ended January 31, 2023 and for the nine months ended October 31, 2023 are filed herewith as Exhibit 99.3 and incorporated herein by reference. The unaudited pro forma financial information is not necessarily indicative of the condensed consolidated financial position or results of operations that would have been realized had the acquisition occurred on the assumed dates, nor is it meant to be indicative of any anticipated condensed consolidated financial position or future results of operations that the combined entity will experience after the acquisition.

(d) Exhibits

The following exhibits are filed as part of this current report:

| Exhibit No. | Description |
|---|---|
| 23.1 | Consent of KPMG, independent auditors to W.S. Badcock LLC. |
| 23.2 | Consent of Deloitte, independent auditors to W.S. Badcock LLC. |
| 99.1 | The historical audited consolidated financial statements of Badcock as of December 31, 2022 (Successor) and for the transition period from November 22, 2021 through December 25, 2021 (Successor) and from July 1, 2021 through November 21, 2021 (Predecessor) and the fiscal year ended June 30, 2021 (Predecessor). |
| 99.2 | The consolidated financial statements of Badcock for the transition period from August 22, 2023 through September 30, 2023 (Successor), the transition period from January 1, 2023 through August 21, 2023 (Predecessor) and the transition period from December 26, 2021 through September 24, 2022 (Predecessor). |
| 99.3 | The unaudited pro forma combined balance sheet of the Company and Badcock as of October 31, 2023 and the unaudited pro forma combined statement of operations for the twelve months ended January 31, 2023 and for the nine months ended October 31, 2023. |

## SIGNATURE

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: | March 4, 2024 | By: | /s/ Timothy Santo |
| | | Name: | Timothy Santo |
| | | Title: | Chief Financial Officer |

**Consent of Independent Auditors**

We consent to the incorporation by reference in the registration statement (No. 333-261325) on Form S-3 and the registration statements (No. 333-111280, No. 333-111281, No. 333- 111282, No. 333-139208, No. 333-174997, No. 333-174988, No. 333-211584, No. 333-218555, No. 333-252257, and No. 333-273376) on Form S-8 of Conn's, Inc. of our report dated August 31, 2021, with respect to the financial statements of W.S. Badcock LLC (f/k/a W.S. Badcock Corporation), which report appears in the Current Report on Form 8-K/A of Conn's, Inc.

/s/ KPMG LLP

Tampa, FL
March 4, 2024

**CONSENT OF INDEPENDENT AUDITORS**

We consent to the incorporation by reference in Registration Statement No. 333-261325 on Form S-3 and Registration Statement Nos. 333-111280, 333-111281, 333-111282, 333-139208, 333-174997, 333-174998, 333-211584, 333-218555, 333-252257, and 333-273376 on Form S-8 of Conn’s, Inc. of our report dated March 4, 2024, relating to the financial statements of W.S. Badcock LLC appearing in this Current Report on Form 8-K/A dated March 4, 2024.

/s/ Deloitte & Touche LLP

Richmond, Virginia
March 4, 2024

**Exhibit 99.1**

# W.S. Badcock LLC
# (f/k/a W.S. Badcock Corporation)

**Financial Statements for the**
**Fiscal year ended December 31, 2022 (Successor),**
**Transition Period from November 22, 2021 through December 25, 2021 (Successor) and**
**from July 1, 2021 through November 21, 2021 (Predecessor), and**
**Fiscal year ended June 30, 2021, (Predecessor)**
**And Independent Auditors' Report**

**W.S. Badcock LLC (f/k/a W.S. Badcock Corporation)**

**Financial Statements for the**
**Fiscal year ended December 31, 2022 (Successor),**
**Transition Period from November 22, 2021 through December 25, 2021 (Successor) and**
**from July 1, 2021 through November 21, 2021 (Predecessor), and**
**Fiscal year ended June 30, 2021, (Predecessor)**
**And Independent Auditor's Report**

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**INDEPENDENT AUDITOR'S REPORT**

W.S. Badcock LLC
Mulberry, Florida

**Opinion**

We have audited the financial statements of W.S. Badcock LLC (the “Company”), which comprise the balance sheets as of December 31, 2022 and December 25, 2021, and the related statements of operations, other comprehensive income, stockholders' equity, and cash flows for the fiscal year ended December 31, 2022 (Successor), and for the transition periods from November 22, 2021 to December 25, 2021 (Successor), and July 1, 2021 to November 21, 2021 (Predecessor), and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 (Successor) and December 25, 2021 (Successor), and the results of its operations, other comprehensive income and its cash flows for the fiscal year ended December 31, 2022 (Successor), and for the transition periods from November 22, 2021 to December 25, 2021 (Successor), and July 1, 2021 to November 21, 2021 (Predecessor), in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Emphasis of Matters**

*Acquisition by Franchise Group, Inc. and Change in Fiscal Year-End*

As discussed in Notes 1 and 2 to the financial statements, Franchise Group, Inc. acquired the Company on November 22, 2021. After being acquired by Franchise Group, Inc., the Company changed its fiscal year end from June 30 to the Saturday closest to December 31 of each year. As a result of this acquisition, the financial statements include a six-month transition period which began on July 1, 2021 and ended on December 25, 2021. This transition period includes a predecessor period prior to acquisition and a successor period after the acquisition. Our opinion is not modified with respect to this matter.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date that the financial statements are issued.

**Auditor’s Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/ Deloitte & Touche LLP

Richmond, Virginia
March 4, 2024

## Independent Auditors' Report

The Stockholders
W.S. Badcock LLC (f/k/a W.S. Badcock Corporation):

**Report on the Financial Statements**

We have audited the accompanying financial statements of W.S. Badcock LLC (f/k/a W.S. Badcock Corporation), which comprise the statements of operations and other comprehensive income, stockholders' equity, and cash flows for the year ended June 30, 2021, and the related notes to the financial statements.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of W.S. Badcock LLC's (f/k/a W.S. Corporation) operations and its cash flows for the year ended June 30, 2021 in accordance with U.S. generally accepted accounting principles.

*Emphasis of Matter*

W.S. Badcock LLC (k/n/a W.S. Badcock Corporation) adopted Financial Accounting Standards Board Accounting Standard Update 2014-09, Revenue from Contracts with Customers (ASC 606), as amended, during 2021. Our opinion is not modified with respect to this matter.

/s/ KPMG LLP

August 31, 2021

**W.S. Badcock LLC (f/k/a W.S. Badcock Corporation)**

Statements of Operations and Other Comprehensive Income

| | Successor | Six-month Transition Period | | Predecessor |
|---|---|---|---|---|
| *(In thousands)* | Year Ended December 31, 2022 | Period from November 22 through December 25, 2021 | Period from July 1 through November 21, 2021 | Year Ended June 30, 2021 |
| **Revenues:** | | | | |
| Product | $ 628,170 | $ 67,353 | $ 279,761 | $ 704,936 |
| Service and other | 290,887 | 34,704 | 77,878 | 196,986 |
| **Total revenues** | **919,057** | **102,057** | **357,639** | **901,922** |
| | | | | |
| Product cost of revenue | 353,051 | 38,443 | 158,896 | 389,397 |
| Selling, general, and administrative expenses | 271,201 | 23,874 | 100,478 | 215,764 |
| Dealer commissions | 168,068 | 17,346 | 71,925 | 179,120 |
| **Total operating expenses** | **792,320** | **79,663** | **331,299** | **784,281** |
| **Income from operations** | **126,737** | **22,394** | **26,340** | **117,641** |
| Other income and expense: | | | | |
| Gain on sale-leaseback transactions, net | 59,772 | — | — | — |
| Other income, net | — | — | 15,130 | 10,309 |
| Interest expense, net | (239,908) | (16,223) | (15,396) | (12,904) |
| (Loss)/income from operations before income taxes | **(53,399)** | **6,171** | **26,074** | **115,046** |
| Income tax (benefit)/expense | (17,868) | 2,370 | 3,140 | 28,460 |
| **Net (loss)/income** | **(35,531)** | **3,801** | **22,934** | **86,586** |
| Other comprehensive income, before tax: | | | | |
| Cash flow hedges: | | | | |
| Net derivative gains (losses) | — | — | 2,220 | 3,974 |
| Reclassification adjustments to earnings | — | — | — | 3,912 |
| Other comprehensive income (loss), before deferred taxes: | — | — | 2,220 | 7,886 |
| Deferred taxes (benefits) related to items of other comprehensive income (loss) | — | — | — | 1,971 |
| Other comprehensive income | — | — | 2,220 | 5,915 |
| Comprehensive (loss)/income | $ (35,531) | $ 3,801 | $ 25,154 | $ 92,501 |

See accompanying notes to financial statements.

**W.S. Badcock LLC (f/k/a W.S. Badcock Corporation)**

Balance Sheets

For the fiscal years ended December 31, 2022 and December 25, 2021

| | Successor | |
|---|---|---|
| *(In thousands)* | **December 31, 2022** | **December 25, 2021** |
| **Assets** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 11,358 | $ 203,556 |
| Current receivables, net | 60,066 | 15,664 |
| Current securitized receivables, net | 292,913 | 369,567 |
| Inventories | 136,748 | 133,917 |
| Current assets held for sale | 8,528 | — |
| Other current assets | 4,192 | 4,440 |
| **Total current assets** | **513,805** | **727,144** |
| Property, plant, and equipment, net | 18,365 | 232,990 |
| Non-current receivables, net | 2,263 | 849 |
| Non-current securitized receivables, net | 39,527 | 47,251 |
| Operating lease right-of-use assets | 225,816 | 50,671 |
| Non-current deferred tax assets | 19,361 | — |
| Other non-current assets | 2,460 | 3,404 |
| **Total assets** | **$ 821,597** | **$ 1,062,309** |
| **Liabilities and Stockholders' Equity** | | |
| **Current liabilities:** | | |
| Current installments of long-term obligations, net | $ 4,503 | $ 182,520 |
| Current installments of debt secured by accounts receivable, net | 340,021 | 302,246 |
| Current operating lease liabilities | 16,742 | 12,077 |
| Accounts payable and accrued expenses | 58,123 | 70,475 |
| Other current liabilities | 8,822 | 18,793 |
| **Total current liabilities** | **428,211** | **586,111** |
| Long-term obligations, excluding current installments | 2,310 | 177,710 |
| Non-current liabilities debt secured by accounts receivable, net | 107,448 | 105,256 |
| Non-current operating lease liabilities | 204,911 | 38,622 |
| Non-current deferred tax liabilities | — | 14,627 |
| Other non-current liabilities | 11,057 | 15,996 |
| **Total liabilities** | **753,937** | **938,322** |
| **Stockholders' equity:** | | |
| Common stock Class A, voting, $100 par value. Authorized 5,000 shares; issued and outstanding 4,400 shares | 440 | 440 |
| Common stock Class B, non-voting, $1 par value. Authorized 350,000 shares; issued and outstanding 168,896 shares | 169 | 169 |
| Additional paid-in capital | 175,843 | 131,434 |
| Retained earnings (deficit) | (108,792) | (8,056) |
| **Total stockholders' equity** | **67,660** | **123,987** |
| **Total liabilities and stockholders' equity** | **$ 821,597** | **$ 1,062,309** |

See accompanying notes to financial statements.

**W.S. Badcock LLC (f/k/a W.S. Badcock Corporation)**

Statements of Stockholders' Equity

Year ended December 31, 2022

| *(In thousands)* | Class A common stock | Class B common stock | Additional paid-in capital | Retained earnings / (deficit) | Accumulated other comprehensive income (loss) | Total stockholders' equity |
|---|---|---|---|---|---|---|
| **Balance at December 25, 2021** | **$ 440** | **$ 169** | **$ 131,434** | **$ (8,056)** | **$ —** | **$ 123,987** |
| Net income (loss) | — | — | — | (35,531) | — | (35,531) |
| Effect of Franchise Group Acquisition | — | — | 3,514 | — | — | 3,514 |
| Contributions by Parent | — | — | 40,895 | — | — | 40,895 |
| Cash dividend | — | — | — | (65,205) | — | (65,205) |
| **Balance at December 31, 2022** | **$ 440** | **$ 169** | **$ 175,843** | **$ (108,792)** | **$ —** | **$ 67,660** |

Statements of Stockholders' Equity

Period from November 22 through December 25, 2021

| *(In thousands)* | Class A common stock | Class B common stock | Additional paid-in capital | Retained earnings / (deficit) | Accumulated other comprehensive income (loss) | Total stockholders' equity |
|---|---|---|---|---|---|---|
| Balance at November 21, 2021 | $ 440 | $ 169 | $ — | $ 485,506 | $ — | $ 486,115 |
| Effect of Franchise Group Acquisition | — | — | 131,434 | (485,506) | — | (354,072) |
| **Successor: Balance at November 22, 2021** | **440** | **169** | **131,434** | **—** | **—** | **132,043** |
| Net income (loss) | — | — | — | 3,801 | — | 3,801 |
| Cash dividend | — | — | — | (11,857) | — | (11,857) |
| **Balance at December 25, 2021** | **$ 440** | **$ 169** | **$ 131,434** | **$ (8,056)** | **$ —** | **$ 123,987** |

**W.S. Badcock LLC (f/k/a W.S. Badcock Corporation)**
Statements of Stockholders' Equity
Period from July 1 through November 21, 2021

| *(In thousands)* | Class A common stock | Class B common stock | Additional paid-in capital | Retained earnings / (deficit) | Accumulated other comprehensive income (loss) | Total stockholders' equity |
|---|---|---|---|---|---|---|
| **Balance at June 30, 2021** | **$ 440** | **$ 190** | **$ —** | **$ 474,541** | **$ (10,572)** | **$ 464,599** |
| Net income (loss) | — | — | — | 22,934 | — | 22,934 |
| Contributions by Parent | — | — | — | 7,807 | — | 7,807 |
| Change in fair value of derivatives, net | — | — | — | — | 2,220 | 2,220 |
| Cancellation of derivative | — | — | — | — | 8,352 | 8,352 |
| Cash dividend | — | — | — | (5,026) | — | (5,026) |
| Purchase and cancellation of shares | — | (21) | — | (14,750) | — | (14,771) |
| **Balance at November 21, 2021** | **$ 440** | **$ 169** | **$ —** | **$ 485,506** | **$ —** | **$ 486,115** |

Statements of Stockholders' Equity
Year ended June 30, 2021

| *(In thousands)* | Class A common stock | Class B common stock | Additional paid-in capital | Retained earnings/(deficit) | Accumulated other comprehensive income (loss) | Total stockholders' equity |
|---|---|---|---|---|---|---|
| **Balance at June 30, 2020** | **$ 440** | **$ 191** | **$ —** | **$ 393,922** | **$ (16,487)** | **$ 378,066** |
| Net income (loss) | — | — | — | 86,586 | — | 86,586 |
| Change in fair value of derivatives, net | — | — | — | — | 5,915 | 5,915 |
| Cash dividend | — | — | — | (3,515) | — | (3,515) |
| Special dividend | | | | (1,952) | | (1,952) |
| Purchase and cancellation of shares | — | (1) | — | (500) | — | (501) |
| **Balance at June 30, 2021** | **$ 440** | **$ 190** | **$ —** | **$ 474,541** | **$ (10,572)** | **$ 464,599** |

See accompanying notes to financial statements.

**W.S. Badcock LLC (f/k/a W.S. Badcock Corporation)**

Statements of Cash Flows

| | Successor | | | Predecessor |
|---|---|---|---|---|
| | | Six-month Transition Period | | |
| *(In thousands)* | Year Ended December 31, 2022 | Period from November 22 through December 25, 2021 | Period from July 1 through November 21, 2021 | Year Ended June 30, 2021 |
| **Operating Activities** | | | | |
| Net (loss)/income | $ (35,531) | $ 3,801 | $ 22,934 | $ 86,586 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | | | |
| Provision for credit losses for accounts receivable | 140,457 | 5,309 | 27,291 | 59,241 |
| Depreciation and amortization | 8,013 | 1,285 | 4,424 | 12,264 |
| Amortization of deferred financing costs | 7,888 | 5,700 | 278 | — |
| Securitized financing costs | 103,208 | 4,413 | — | — |
| Settlement of interest rate swap | — | — | 10,572 | — |
| Gain on sale-leaseback and sale of property, plant and equipment | (59,739) | (6) | — | — |
| Deferred income taxes | (36,414) | 17,334 | (3,956) | 3,351 |
| Other non-cash items | — | — | (18,277) | 3,941 |
| Changes in operating assets and liabilities and other, net | | | | |
| Accounts, notes, and securitized receivables | (105,221) | (30,021) | (13,506) | 7,096 |
| Income taxes receivable | 3,327 | 1,240 | (4,104) | — |
| Interest payable on secured borrowing | (70,657) | 3,089 | — | — |
| Other assets | 1,112 | (2,741) | (2,019) | 1,424 |
| Accounts payable and accrued expenses (and deferred revenue and other liabilities) | (28,913) | 1,990 | (13,875) | 19,262 |
| Inventory | (2,831) | (3,872) | (14,208) | (3,557) |
| Net cash (used in)/provided by operating activities | (75,301) | 7,521 | (4,446) | 189,608 |
| **Investing Activities** | | | | |
| Purchases of property, plant, and equipment | (2,279) | (128) | (2,275) | (5,415) |
| Proceeds from sale of property, plant, and equipment | 266,525 | 6 | 4,365 | 159 |
| Payments received on company owned life insurance policies | — | — | 14,778 | — |
| Payments received on operating loans to dealers | — | — | — | 2,233 |
| Net cash provided by (used in) investing activities | 264,246 | (122) | 16,868 | (3,023) |
| **Financing Activities** | | | | |
| Contributions from parent | 40,895 | 3,615 | 7,807 | — |
| Dividends paid | (68,149) | (11,857) | (5,026) | (7,127) |
| Issuance of long-term debt and other obligations | — | — | — | 287,062 |
| Repayment of long-term debt and other obligations | (361,305) | (219,014) | (85,760) | (359,205) |
| Proceeds from secured debt obligations | 382,133 | 400,000 | — | — |
| Repayment of secured debt obligations | (374,717) | — | — | — |
| Payments for repurchase of common stock | — | — | (14,750) | (500) |
| Net cash (used in)/provided by financing activities | (381,143) | 172,744 | (97,729) | (79,770) |
| Net (decrease)/increase in cash, cash equivalents | (192,198) | 180,143 | (85,307) | 106,815 |
| Cash, cash equivalents at beginning of period | 203,556 | 23,413 | 108,720 | 1,905 |
| Cash, cash equivalents at end of period | $ 11,358 | $ 203,556 | $ 23,413 | $ 108,720 |

**Supplemental Cash Flow Disclosure**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Cash paid for taxes, net of refunds | $ | — | $ | — | $ | — | $ | 30,485 |
| Cash paid for interest | $ | 6,523 | $ | 905 | $ | — | $ | 14,021 |
| Cash paid for interest on secured debt | $ | 91,994 | $ | — | $ | — | $ | — |
| Accrued capital expenditures | $ | — | $ | 208 | $ | — | $ | — |
| **Supplemental schedule of non-cash financing activities** | | | | | | | | |
| Impact of pushdown accounting | $ | 3,514 | $ | 132,043 | $ | — | $ | — |

See accompanying notes to financial statements.

## W.S. Badcock LLC (f/k/a W.S. Badcock Corporation)

**Notes to Financial Statements**

**(1) Organization and Significant Accounting Policies**

***Description of Business.*** On December 8, 2023, W.S. Badcock Corporation converted from a corporation to a limited liability company and was thereby renamed W.S. Badcock LLC (the "Company", "Badcock", or "our"). The Company is a retailer of furniture, appliances, bedding, electronics, home office equipment, accessories and seasonal items in a showroom format. Additionally, Badcock offers multiple and flexible payment solutions and credit options through third parties and its consumer financing services. On November 21, 2021, Franchise Group Inc. ("FRG" or "Parent") purchased 100% of the Class A common stock and Class B common stock from the former owners of W.S. Badcock Corporation (the "Badcock Acquisition").

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

***Badcock Acquisition.*** The assets acquired and the liabilities assumed in the Badcock acquisition above are recorded at fair value in accordance with Accounting Standards Codification ("ASC") 805, "Business Combinations." The Company elected the accounting policy option as allowed under ASC 805 to apply pushdown accounting after this change-in-control event. Acquisition-related costs are expensed as incurred. The purchase price is allocated to the various tangible and intangible assets acquired and liabilities assumed, based on their estimated fair values. In the case where there is an excess of aggregate net fair value of assets acquired and liabilities assumed over the fair value of consideration transferred, the purchase price will be recorded as a bargain purchase gain. Determining the fair value of certain assets and liabilities is subjective in nature and often involves the use of significant estimates and assumptions, which are inherently uncertain. In addition, the judgments made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact the Company's results of operations.

During the measurement period, the Parent recorded adjustments to the acquired assets and liabilities assumed or the preliminary purchase price, with a corresponding offset to Additional Paid-In Capital, to reflect new information obtained about facts and circumstances that existed as of the acquisition dates.

***Fiscal Year End.*** For the period ended December 25, 2021, our fiscal year ended on the Saturday in December closest to December 31$^{st}$. On February 22, 2022, the FRG Board of Directors approved a change in our fiscal year-end from the last Saturday in December closest to December 31$^{st}$ to the Saturday closest to December 31$^{st}$ whether in December or January. Fiscal year 2022 ended on December 31, 2022 and included 53 weeks, with the 53$^{rd}$ week falling in the fourth fiscal quarter. Prior to its acquisition by FRG on November 21, 2021, the Company had a June 30th fiscal year end. As a result of the Badcock acquisition, the Company has a Transition Period from November 22, 2021 through December 25, 2021 (Successor) and Period from July 1, 2021 through November 21, 2021 (Predecessor).

***Use of Estimates.*** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Statement of Operations Classification.*** Revenues have been classified into product, service and other as further discussed in "Note 6 - Revenue." Costs of sales for product includes the cost of merchandise, transportation and warehousing costs including corresponding depreciation and amortization on our distribution centers. Other operating expenses, including employee costs, occupancy costs, depreciation and amortization, and advertising expenses have been classified in selling, general and administrative expenses. For the year ended December 31, 2022, periods ended December 25, 2021 and November 21, 2021 and the year ended June 30, 2021, total advertising expense was $22.2 million, $2.0 million, $13.7 million, and $32.7 million, respectively.

***Cash and Cash Equivalents.*** The Company considers all highly liquid instruments with maturities of three months or less at the time of purchase, as well as credit card receivables for sales to customers in its stores that generally settle within two to five business days, to be cash equivalents. The Company maintains cash and cash equivalent balances with financial institutions that exceed federally-insured limits. The Company has not experienced any losses related to these balances, and the Company believes credit risk to be minimal.

***Securitization of Receivables***. Sales of beneficial interests in customer revolving lines of credit are recorded as cash and an equivalent amount is recorded as "Debt secured by accounts receivable, net" on the Company's Balance Sheets. The accounts receivable, which have been securitized, are recorded as "Securitized accounts receivable" on the Balance Sheets. The net securitized accounts receivable on the balance sheet include the current and non-current portions, net of allowance for bad debt and an unamortized purchase discount recorded in purchase accounting related to the Badcock Acquisition.

***Inventories.*** Inventory for the Company after the Badcock Acquisition is comprised of finished goods and is valued at the lower of cost or market value, with cost determined by the first-in, first-out method. Inventory includes the purchase price of the inventory plus costs of freight for moving merchandise from vendors to distribution centers as well as from distribution centers to stores. An obsolescence reserve is estimated based on the amount of inventory on hand, its age, and its condition.

Inventory for the Company prior to the Badcock Acquisition is comprised of finished goods and are stated at the lower of cost or market. Cost was determined by the last-in, first-out (LIFO) method for furniture, appliances and accessories. Cost was determined by the first-in, first-out (FIFO) method for electronics. In total, approximately 92% of inventories were valued using the LIFO method as of June 30, 2021. To properly state the necessary LIFO reserve, the predecessor Company has recorded additional provisions of $3.6 million during the year ended June 30, 2021, which is included in the costs of product sales. No additional LIFO provision was recorded in the transition period from July 1, 2021 to November 21, 2021.

***Receivables and Allowance for Doubtful Accounts.*** Accounts receivable consist primarily of customer receivables from revolving credit sales originated at the time of delivery of the product and service. The Company records the amount of principal and accrued interest on customer receivables in the balance sheet based on contractual terms.

The allowance for doubtful accounts is the Company’s best estimate of the amount of probable credit losses in the Company’s existing accounts receivable. The Company determines the allowance for doubtful accounts based on the overall aging and quality of total customer accounts receivable, historical write-off experience, existing economic conditions and management judgment. The Company reviews its allowance for doubtful accounts periodically. All balances are reviewed on a pooled basis and are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

***Assets Held for Sale.*** As of December 31, 2022, Badcock was negotiating sale transactions for certain non-operating properties that it expects to sell within one year. The properties were recorded at the lesser of carrying value or fair value less costs to sell of $8.5 million which is classified as “Current assets held for sale” on the Balance Sheets.

***Property, Plant, and Equipment.*** Property, plant, and equipment are stated at cost less accumulated depreciation and amortization. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets, twenty to thirty years for buildings and building improvements. Leasehold improvements are amortized over the lesser of the lease term or the estimated useful lives of the assets. Furniture, fixtures, and equipment are amortized three to ten years. Certain allowable costs of software acquired, developed, or obtained for internal use are capitalized and typically amortized over the estimated useful life of the software.

***Revenue Recognition.*** The following is a description of the principal activities from which the Company generates its revenues. For more detailed information refer to “Note 6 - Revenue.”

Product revenues: These include sales of merchandise at the stores and online. Revenue is measured based on the amount of fixed consideration that the Company expects to receive, reduced by estimates for variable consideration such as returns. Revenue also excludes any amounts collected from customers and remitted or payable to governmental authorities. In arrangements where the Company has multiple performance obligations, the transaction price is allocated to each performance obligation using the relative stand-alone selling price. The Company recognizes revenue for retail store and online transactions when it transfers control of the goods to the customer.

Service and other revenues is comprised primarily of:

- Interest income: Interest income is related to our customer accounts receivable and are included in revenue as earned and finance charges applicable to customer accounts receivable are calculated on the outstanding average daily balance using the effective interest rate method. For our no-interest option programs, as a practical expedient acceptable under ASC 606, we do not adjust for the time value of money.
- Warranty and insurance revenue: We sell appliance warranty, furniture protection and credit insurance contracts on behalf of unrelated third parties. The Company has a single performance obligation associated with these contracts: the delivery of the product to the customer, at which point control transfers. Warranty commissions are recognized upon delivery of the product. Insurance commissions are calculated as a percentage of premiums and the premiums are calculated on outstanding average daily balances of customer accounts receivable using the effective interest rate method. We receive retrospective commissions from the third-party providers of the warranty and insurance programs. These commissions are paid if claims are less than an agreed amount of earned premiums and are recognized when earned.

***Leases.*** The Company adopted Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) No. 2016-02, "*Leases (Topic 842)"* on the Badcock Acquisition date to align with accounting standards of its Parent. The guidance in ASU 2016-02 (as subsequently amended by ASU 2018-01, ASU 2018-10, ASU 2018-11 and ASU 2018-20) requires that a lessee recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, permitted the Company to carry forward the historical lease classification for leases that commenced before the effective date of the new standard. The Company elected to not separate non-lease components from lease components for all classes of underlying assets. The Company did not elect the hindsight practical expedient, which permits the use of hindsight when determining lease term and impairment of right-of-use assets. Adoption of the standard resulted in the recognition of operating lease right-of-use assets and lease liability of $51.7 million on the Company's balance sheets. The adoption of the standard did not have a material impact on the Company's statements of operations or statements of cash flows. Refer to "Note 8 - Leases" for additional information related to the Company's accounting for leases.

***Predecessor accounting under ASC 840***

The Company has non-cancelable operating leases, primarily for buildings, that generally expire over the next ten years. These leases generally require the Company to pay all executory costs such as maintenance and insurance. Certain building leases contain escalation clauses for increased rent, taxes and operating expenses. Lease expense is recognized on a straight-line basis over the life of the lease and is recognized in selling, general and administrative expenses in the accompanying Statements of Operations.

***Successor accounting under ASC 842***

The Company's lease portfolio primarily consists of leases for its retail store locations, office space and distribution centers, as well as in the operation of certain of our dealer-owned stores. The Company also leases tractors and trucks, local delivery trucks, and leases certain office equipment under finance leases. The finance lease right of use assets are included in property, plant, and equipment ("PP&E") and the finance lease liabilities are included in current and non-current installments of long-term obligations. The Company determines if an arrangement is a lease at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the Company obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. Operating leases with an initial term of 12 months or less are not recorded on the Balance Sheets, and the Company recognizes rent expense for these leases on a straight-line basis over the lease term. For leases with an initial term in excess of 12 months, lease right-of-use assets and lease liabilities are recognized based on the present value of the future lease payments over the committed lease term at the lease commencement date. The Company's leases do not provide an implicit rate; therefore, the Company uses its incremental borrowing rate and the information available at the lease commencement date in determining the present value of future lease payments. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow, on a collateralized basis over a similar term, an amount equal to the lease payments in a similar economic environment. Most leases include one or more options to renew and the exercise of renewal options is at the Company's sole discretion. The Company does not include renewal options in its determination of the lease term unless the renewals are deemed to be reasonably certain at lease commencement. The Company uses the long-lived assets impairment guidance in ASC 360-10, "Property, Plant, and Equipment - Overall," to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize.

The Company subleases some of its real estate leases. The lessor and sublease portfolio primarily consists of stores that have been leased to dealers. For leases where the Company is a lessor, rent income and related operating lease expense for lease payments is recognized on a straight-line basis over the lease term.

For operating leases, lease costs are recorded within selling, general, and administrative expenses ("SG&A") within the statements of operations as follows: (1) rental expense related to leases for retail stores, and (2) rental expense for leased properties that are subsequently subleased to dealers, offset by rental income from sublease agreements with dealers. For finance leases where the Company is the lessee, lease cost includes the amortization of the right-of-use ("ROU") asset, which is amortized on a straight-line basis and recorded to "SG&A" and interest expense on the finance lease liabilities is recorded to "Interest expense, net." Finance lease ROU assets are amortized over the shorter of their estimated useful lives or the terms of the respective leases. The Company's subleases and leases for which the Company is a lessor are all classified as operating leases, for which the Company accounts for the lease and non-lease components as one lease component, as discussed below.

The Company has lease agreements with lease and non-lease components, which the Company elects to combine as one lease component for all classes of underlying assets. Non-lease components include variable costs based on actual costs incurred by the lessor related to the payment of real estate taxes, common area maintenance, and insurance. These variable payments are expensed as incurred as variable lease costs.

***Fair Value of Financial Instruments.*** As required, financial assets and liabilities are classified in the fair value hierarchy in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The carrying value of Cash and cash equivalents, restricted cash, accounts receivable and accounts payable as reported in the accompanying balance sheets approximate fair value due to their short-term maturities. The carrying amount of Long-term debt approximates fair value because the interest rate paid has a variable component.

ASC 820-10, Fair Value Measurements and Disclosures defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements on a recurring and non-recurring basis.

The derivative assets and liabilities resulting from interest rate swaps are reflected in the balance sheet at fair market value and are based on estimates obtained from financial institutions (other observable inputs (Level 2)).

***Derivative Instruments and Hedging Activities.*** The predecessor Company accounted for derivatives and hedging activities in accordance with Accounting Standards Codification (ASC) 815-10, Derivative and Hedging, as amended, and applied the simplified hedge accounting approach for receive-variable, pay-fixed interest rate swaps. In accordance with ASC 815-10, the Company recorded all derivative instruments on the balance sheet at their respective settlement value. Herein, references to fair value of derivative instruments were their settlement value. The predecessor Company terminated all interest rate swaps by November 21, 2021.

Changes in the fair value of derivatives that are highly effective and are designated and qualify as cash-flow hedges were recorded as a component of other comprehensive income, until earnings were affected by the variability in cash flows of the designated hedged item. Changes in the fair value of derivatives that were not designated and do not qualify as cash-flow hedges were reported in current period earnings. The Company would discontinue hedge accounting prospectively if it determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative expires or is sold, terminated or exercised, or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

***Deferred Income Taxes.*** Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities, which are recorded within “Non-current deferred tax assets” and “Non-current deferred tax liabilities” within the balance sheets, are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In accordance with accounting standards, the Company assesses the likelihood that its deferred tax assets will be realized. Deferred tax assets are reduced by a valuation allowance when, after considering all available positive and negative evidence, it is determined that it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. The Company will analyze its position in subsequent reporting periods, considering all available positive and negative evidence, in determining the expected realization of its deferred tax assets. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company has elected to classify interest charged on a tax settlement in interest expense, and accrued penalties, if any, in selling, general, and administrative expenses.

The determination of the Company’s provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items. The Company records unrecognized tax benefit liabilities for known or anticipated tax issues based on an analysis of whether, and the extent to which, additional taxes will be due.

***Accounting Pronouncements***

Certain prior year amounts within the financial statements and footnotes have been reclassified to conform to the current year presentation.

In June 2016, the ASU No. 2016-13, “Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASC 326”), which changes how companies measure credit losses for most financial assets and certain other instruments that aren’t measured at fair value through net income. The standard replaces the “incurred loss” approach with an “expected loss” model for instruments measured at amortized cost (which generally will result in the earlier recognition of allowances for losses) and requires companies to record allowances for available-for-sale debt securities, rather than reduce the carrying amount. In addition, companies will have to disclose significantly more information, including information used to track credit quality by year of origination, for most financing receivables.

Effective January 1, 2023, the Company adopted ASC 326 and applied a cumulative-effect adjustment to retained earnings. The Company has reviewed its entire portfolio of assets recognized on the balance sheet as of December 31, 2022 and identified customer receivables and securitized receivables as the materially impacted assets within the scope of ASC 326. Upon adoption of ASC 326 the Company recorded a net decrease of $10.0 million to retained earnings as of January 1, 2023.

**(2) Acquisition & Pushdown Accounting**

On November 22, 2021, the Parent completed the acquisition of the Company. The fair value of the consideration transferred at the acquisition date was $548.8 million. The following table summarizes the final allocation of the fair values of the identifiable assets acquired and liabilities assumed in the Badcock Acquisition on November 22, 2021.

| *(In thousands)* | November 22, 2021 |
|---|---|
| Cash and cash equivalents | $ 23,413 |
| Inventories | 130,045 |
| Accounts receivable | 411,268 |
| Other current assets | 5,023 |
| Property, plant, and equipment | 238,865 |
| Operating lease right-of-use assets | 55,626 |
| Other non-current assets | 2,506 |
| Total assets | 866,746 |
| Current operating lease liabilities | 12,070 |
| Accounts payable and accrued expenses | 71,436 |
| Other current liabilities | 18,942 |
| Current installments of long-term obligations | 5,261 |
| Long-term obligations, excluding current installments | 7,247 |
| Non-current operating lease liabilities | 39,599 |
| Other long-term liabilities | 27,849 |
| Total liabilities | 182,404 |
| | |
| Total fair value of assets | 681,397 |
| Long-term debt pushed down from Parent | (545,840) |
| Impact of pushdown accounting | $ 135,557 |

In accordance with ASC 805, the Parent recognized a bargain purchase gain on the Badcock Acquisition and the Parent pushed down the long-term debt entered into and for which the Company is legally obligated, which has been recorded as an "Effect of Franchise Group Acquisition" to Additional Paid-in Capital in the Statements of Stockholders' Equity.

Operating lease right-of-use assets of $55.6 million and operating lease liabilities of $51.7 million, consist of leases for retail store locations, warehouses and office equipment. The right-of use assets include a $3.9 million favorable lease intangible asset.

Property, plant and equipment consists of fixtures and equipment of $93.0 million, buildings and building improvements of $98.0 million, land and land improvements of $33.4 million, leasehold improvements of $23.7 million, and construction in progress of $1.4 million.

During the year ended December 31, 2022, the preliminary estimates of the fair value of identifiable assets acquired and liabilities assumed were finalized, which resulted in a $3.5 million increase to the bargain purchase gain for a cumulative bargain purchase gain of $135.6 million. The adjustment is classified as "Effect of Franchise Group Acquisition" on the Statements of Stockholders' Equity. The Company believes the seller in the Badcock Acquisition was willing to accept a bargain purchase price in return for the Parent's ability to act more quickly, partially due to the Parent's access to capital to complete the transaction, and with greater certainty than any other prospective acquirer. Additionally, the Parent believes the seller was motivated to complete the transaction as part of an overall repositioning of its business. Upon completion of this reassessment, the Parent concluded that recording a bargain purchase gain with respect to the Badcock Acquisition was appropriate and required under GAAP.

**(3) Accounts and Notes Receivable**

Current and non-current receivables as of December 31, 2022 and December 25, 2021 are presented in the Balance Sheets as follows:

| | Successor | |
|---|---|---|
| *(In thousands)* | December 31, 2022 | December 25, 2021 |
| Customer and dealer accounts receivable | $ 60,859 | $ 13,020 |
| Notes and interest receivable | 1,305 | 433 |
| Income tax receivable | (214) | 3,114 |
| Allowance for credit losses | (1,884) | (903) |
| Current receivables, net | 60,066 | 15,664 |
| Notes receivable, non-current | 3,022 | 849 |
| Allowance for credit losses, non-current | (759) | — |
| Non-current receivables, net | 2,263 | 849 |
| Total receivables | $ 62,329 | $ 16,513 |

***Allowance for Credit Losses***

The adequacy of the allowance for credit losses is assessed on a quarterly basis and adjusted as deemed necessary. Activity in the allowance for credit losses for the years ended December 31, 2022 and the transition period from November 22, 2021 to December 25, 2021 was as follows:

| *(In thousands)* | December 31, 2022 | November 22, 2021 through December 25, 2021 |
|---|---|---|
| Balance at beginning of period | $ 903 | $ — |
| Provision for credit losses | 981 | 903 |
| Write-offs, net of recoveries | — | — |
| Balance at end of year | $ 1,884 | $ 903 |

The non-current allowance for credit losses was deemed immaterial for both periods presented.

**(4) Securitized Accounts Receivable**

In order to monetize its customer credit receivables portfolio, Badcock sells beneficial interests in customer revolving lines of credit pursuant to securitization transactions. On December 20, 2021, Badcock securitized its existing consumer credit receivables portfolio of $534.0 million for a purchase price of $400.0 million in cash. During the fiscal year ended December 31, 2022, the Company securitized an additional $444.9 million of its customer credit receivables portfolio for $382.1 million of cash. As tranches of customer credit receivables are securitized, proceeds received are recorded as “Cash” and an equivalent amount is recorded as “Debt secured by accounts receivable, net” on the Balance Sheets, which includes the face amount of current and non-current receivables, net of the unamortized discount. The securitizations do not qualify as a sale under ASC 860 - “Transfers and Servicing,” even though the underlying receivables are deemed to be legally sold. The accounts receivable, which have been securitized, are recorded as “Current securitized accounts receivable, net” and “Non-current securitized accounts receivable, net” on the Company’s Balance Sheets. The accounts include the current and non-current portions, net of allowance for bad debt and an unamortized purchase discount recorded in purchase accounting related to the Badcock Acquisition.

The Company records the income earned on the customer revolving lines of credit as interest income in “Service and other revenues” with a corresponding amount recorded in “Interest expense, net” on the Statements of Operations as a result of the securitization. Amortization of the secured debt discount is also recorded in “Interest expense, net” on the Statements of Operations. In connection with the securitization of the receivables, Badcock has entered into a receivables servicing agreement with lenders pursuant to which Badcock will provide certain customary servicing and account management services. During the year ended December 31, 2022 and during the transition period November 22, 2021 to December 25, 2021, Badcock earned $10.2 million and $459 thousand, respectively, pursuant to this agreement, recorded in “Service and other revenues” on the Statements of Operations.

The debt secured by accounts receivable is non-recourse to the Company. Lenders must rely on payments received from the Company's customers to service the secured debt, unless the Company has breached its representations or warranties in the loan agreements. The lenders assume the credit risk of the customer and their only recourse, upon default by the customer, is against the customer.

The non-current portion of secured debt matures generally within two to three years of the Company's Balance Sheet date.

The components of securitized accounts receivable and debt secured by accounts receivables at December 31, 2022 and December 25, 2021 were as follows:

| *(In thousands)* | **12/31/2022** | **12/25/2021** |
|---|---|---|
| Current securitized accounts receivable | $ 374,179 | $ 476,071 |
| Unamortized purchase price discount | (24,171) | (106,504) |
| Allowance for doubtful securitized accounts, current | (57,095) | — |
| Current securitized accounts receivable, net | 292,913 | 369,567 |
| Non-current securitized accounts receivable | 50,494 | 60,869 |
| Unamortized purchase price discount | (3,262) | (13,617) |
| Allowance for doubtful securitized accounts, non-current | (7,705) | — |
| Non-current securitized accounts receivable, net | 39,527 | 47,252 |
| Total securitized assets, net | $ 332,440 | $ 416,819 |
| | | |
| Current installments of debt secured by accounts receivable | $ 374,879 | $ 421,935 |
| Unamortized debt discount | (34,858) | (119,689) |
| Current debt secured by accounts receivable, net | 340,021 | 302,246 |
| Non-current installments of debt secured by accounts receivable | 119,240 | 111,671 |
| Unamortized debt discount | (11,792) | (6,415) |
| Non-current debt secured by accounts receivable, net | 107,448 | 105,256 |
| Total debt secured by accounts receivable, net | $ 447,469 | $ 407,502 |

When securitized receivables are delinquent for approximately one year, the estimated uncollectible amount from the customer is written off and the corresponding securitized accounts receivable is reduced. Due to their non-recourse nature, the Company will record a gain on extinguishment for any debt secured by uncollectible accounts receivable in the future when the debt meets the extinguishment requirements in accordance with ASC 470, "Debt". Activity in the allowance for doubtful accounts for the year ended December 31, 2022 was as follows:

| *(In thousands)* | **12/31/2022** |
|---|---|
| Balance at beginning of year | $ — |
| Provision for doubtful accounts | 139,300 |
| Write-offs, net of recoveries | (74,500) |
| Balance at end of year | $ 64,800 |

Activity in the allowance for doubtful accounts for the transition period November 22, 2021 through December 25, 2021 was immaterial.

The components of interest income and interest expense generated from securitized receivables for the years ended December 31, 2022 and the transition period November 22, 2021 through December 25, 2021 were as follows:

| *(In thousands)* | December 31, 2022 | November 22, 2021 through December 25, 2021 |
|---|---|---|
| Total interest income from securitization[1] | $ 193,860 | $ 25,508 |
| Total interest expense, debt secured by accounts receivables: | (227,962) | (7,502) |

[1] Includes interest income from Badcock owned receivables (refer to "Note 3 – Accounts and Notes Receivable") and securitized receivables.

## (5) Property, Plant, and Equipment, Net

Property, plant, and equipment at December 31, 2022 and December 25, 2021 was as follows:

| | Successor | |
|---|---|---|
| **(In thousands)** | **December 31, 2022** | **December 25, 2021** |
| Land and land improvements | $ 998 | $ 36,306 |
| Buildings and building improvements | 749 | 176,188 |
| Leasehold improvements | 1,550 | 1,602 |
| Furniture, fixtures, and equipment | 18,181 | 17,221 |
| Construction in progress | 1,167 | 1,339 |
| Finance lease asset | 1,619 | 1,619 |
| Property, plant, and equipment, gross | 24,264 | 234,275 |
| Less accumulated depreciation and amortization | 5,899 | 1,285 |
| Property, plant, and equipment, net | $ 18,365 | $ 232,990 |

Total depreciation and amortization expense on property, plant, and equipment was $7.1 million for the successor year ended December 31, 2022, $1.2 million for the successor transition period November 22, 2021 to December 25, 2021, and $4.4 million for the predecessor period July 1, 2021 to November 21, 2021, and approximately $11.6 million, for the predecessor year ended June 30, 2021, respectively.

***Sale-Leaseback Transactions***

In the year ended December 31, 2022, the Company sold a number of its retail locations, distribution centers, and its corporate headquarters for a total of $260.6 million, resulting in a net gain of $59.8 million, comprised of $65.3 million of gains and $5.5 million of losses. Contemporaneously with these sales, the Company entered into lease agreements pursuant to which the Company leased back the retail locations, distribution centers, and corporate headquarters, all of which are being accounted for as operating leases. The net gain has been recognized as "Gain on sale-leaseback transactions, net" on the Statements of Operations for the year ended December 31, 2022.

## (6) Revenue

For details regarding the principal activities from which the Company generates its revenue, refer to "Note 1 – Organization and Significant Accounting Policies ". The following represents the disaggregated revenue for the year ended December 31, 2022, Transition period from November 22, 2021 to December 25, 2021 and July 1, 2021 to November 21, 2021 and the year ended June 30, 2021:

| | Successor | Transition Period | | Predecessor |
|---|---|---|---|---|
| *(In thousands)* | Year ended December 31, 2022 | November 22, 2021 through December 25, 2021 | July 1, 2021 through November 21, 2021 | Year ended June 30, 2021 |
| Total product revenue | $ 628,170 | $ 67,353 | $ 279,761 | $ 704,936 |
| Financing revenue | 1,289 | — | — | — |
| Interest income | 101,172 | 8,712 | 42,197 | 141,341 |
| Interest income from amortization of original purchase discount | 92,688 | 16,796 | — | — |
| Warranty and damage revenue | 52,437 | 5,389 | 21,720 | 26,212 |
| Other revenues | 43,301 | 3,807 | 13,961 | 29,433 |
| Total service revenue | 290,887 | 34,704 | 77,878 | 196,986 |
| Total revenue | $ 919,057 | $ 102,057 | $ 357,639 | $ 901,922 |

***Contract Balances***

The following table provides information about receivables and contract liabilities (deferred revenue) from contracts with customers as of December 31, 2022 and December 25, 2021:

| *(In thousands)* | December 31, 2022 | December 25, 2021 |
|---|---|---|
| Accounts receivable | $ 60,859 | $ 13,020 |
| Notes receivable | 4,327 | 1,282 |
| | | |
| Customer deposits | $ 6,694 | $ 16,397 |
| Gift cards | 73 | 88 |
| Other deferred revenue | 2,794 | 1,855 |
| Total deferred revenue | $ 9,561 | $ 18,340 |

Deferred revenue consists of (1) amounts received for merchandise of which customers have not yet taken possession, and (2) gift card or store credits outstanding, which are primarily recognized within one year following the revenue deferral.

**(7) Long-Term Obligations**

Long-term obligations at December 31, 2022 and December 25, 2021 were as follows:

| | Successor | |
|---|---|---|
| *(In thousands)* | **December 31, 2022** | **December 25, 2021** |
| Term loans, net of debt issuance costs | | |
| Badcock first lien term loan | $ — | $ 201,911 |
| Badcock second lien term loan | — | 146,235 |
| Total term loans, net of debt issuance costs | — | 348,146 |
| Other long-term obligations | 6,145 | 10,537 |
| Finance lease liabilities | 668 | 1,547 |
| Total long-term obligations | 6,813 | 360,230 |
| Less: current installments | 4,503 | 182,520 |
| Total long-term obligations, net | $ 2,310 | $ 177,710 |

***Badcock First Lien Credit Agreement and First Lien Badcock Term Loan***

On November 22, 2021 (the "Badcock Closing Date"), the Company entered into a First Lien Credit Agreement (the "First Lien Badcock Credit Agreement") with various lenders. The First Lien Badcock Credit Agreement provides for a $425.0 million senior secured term loan (the "First Lien Badcock Term Loan"), made by the First Lien Badcock Lenders to the Company.

The First Lien Badcock Term Loan, at the option of the Borrowers, bore interest at either (i) a rate per annum based on Term Secured Overnight Financing Rate ("SOFR") for an interest period of one, three or six months (or under certain circumstances, twelve months or less than one month), plus an interest rate margin of 4.75% (each, a "Badcock First Lien SOFR Loan"), or (ii) an alternate base rate determined as provided in the First Lien Credit Agreement, plus an interest rate margin of 3.75% (each, a "Badcock First Lien ABR Loan"), with an effective 1.00% alternate base rate floor. Interest on Badcock First Lien SOFR Loans was payable in arrears at the end of each applicable interest period (and, with respect to an interest period of longer than three months, at three-month intervals during such interest period), and interest on Badcock First Lien ABR Loans was payable in arrears on the last business day of each calendar quarter.

The proceeds of the First Lien Badcock Term Loan, together with the proceeds of the Second Lien Badcock Term Loan and certain cash on hand of the Parent and its subsidiaries, were used to consummate the Badcock Acquisition and to pay fees and expenses incurred in connection therewith and with certain related transactions, including the entry into the Credit Agreement.

On December 23, 2021, the Company repaid $219.0 million of principal of the First Lien Badcock Term Loan using cash proceeds from the Receivables Purchase Agreement. The early repayment resulted in additional interest expense of $5.0 million for the write-off of deferred financing costs.

During the year ended December 31, 2022, the Badcock First Lien Term Loan was fully repaid using cash proceeds from the sales of certain parcels of land on which Badcock operates its distribution centers and corporate headquarters as discussed in "Note 5 – Property, Plant and Equipment, Net" and from the securitization of its existing consumer credit receivables portfolio as discussed in "Note 4 - Securitized Accounts Receivable." Upon the repayment of the First Lien Term the Company wrote off $3.4 million of related deferred financing costs.

***Badcock Second Lien Credit Agreement and Term Loan***

On the Badcock Closing Date, the Company entered into a Second Lien Credit Agreement (the "Second Lien Badcock Credit Agreement" and together with the First Lien Badcock Credit Agreement, the "Badcock Credit Agreements") with the various lenders from time-to-time party thereto (the "Second Lien Badcock Lenders") and Alter Domus (US) LLC, as administrative agent and collateral agent ("Second Lien Badcock Agent" and together with the First Lien Badcock Agent, the "Badcock Agents"). The Second Lien Badcock Credit Agreement provides for a $150.0 million senior secured term loan (the "Second Lien Badcock Term Loan" and together with the First Lien Badcock Term Loan, the "Badcock Term Loans"), made by the Second Lien Badcock Lenders to one or more of the Borrowers.

The Second Lien Badcock Term Loan, at the option of the Borrowers, bore interest at either (i) a rate per annum based on Term SOFR for an interest period of one, three or six months (or under certain circumstances, twelve months or less than one month), plus an interest rate margin of 7.50% (each, a "Second Lien SOFR Loan"), or (ii) an alternate base rate determined as provided in the Second Lien Badcock Credit Agreement, plus an interest rate margin of 6.50% (each, a "Second Lien Badcock ABR Loan"), with an effective 1.00% SOFR floor and a 2.00% alternate base rate floor. Interest on Second Lien Badcock SOFR Loans was payable in arrears at the end of each applicable interest period (and, with respect to an interest period of longer than three months, at three-month intervals during such interest period), and interest on Second Lien Badcock ABR Loans was payable in arrears on the last business day of each calendar quarter.

The proceeds of the Second Lien Badcock Term Loan, together with the proceeds of the First Lien Badcock Term Loan and certain cash on hand of the Parent and its subsidiaries, were used to consummate the Acquisition and to pay fees and expenses incurred in connection therewith and with certain related transactions, including the entry into the Credit Agreement Amendments.

During the year ended December 31, 2022, the Badcock Second Lien Term Loan was fully repaid using cash proceeds from the sales of certain parcels of land on which Badcock operates its distribution centers and corporate headquarters as discussed in "Note 5 – Property, Plant and Equipment, Net" and from the securitization of its existing consumer credit receivables portfolio as discussed in "Note 4 - Securitized Accounts Receivable." Upon the repayment of the Badcock Second Lien Term the Company wrote off $3.1 million of related deferred financing costs.

***Parent Debt***

The Franchise Group ("FRG"), the parent Company of Badcock, has entered into certain secured term loan arrangements which are secured by the direct and indirect subsidiaries ("Subsidiaries") of FRG. These obligations are secured on a first priority basis by substantially all of the assets of its Subsidiaries and on a second priority basis by credit card receivables, accounts receivable, deposit accounts, security accounts, commodity accounts, inventory and goods (other than equipment) of FRG and its Subsidiaries.

Additionally, FRG has entered into a Third Amendment (the "Third ABL Amendment") to the FRG ABL Revolver Agreement with various lenders. The borrowing base of the ABL Revolver Agreement is determined based upon a percentage of qualified accounts receivable, credit card receivables, and inventory with a maximum commitment of $400 million. The ABL Revolver Agreement is secured by substantially all of the assets of FRG and its subsidiaries, including Badcock.

The Company believes that a default event that would trigger the Company's assets as collateral is remote.

**(8) Leases**

Refer to "Leases" under "Note 1 - Organization and Significant Accounting Policies" for a discussion of our accounting policies. The finance lease right of use assets and lease liabilities are included in PP&E, current installments of long-term debt and long-term debt respectively. These leases are immaterial to the Financial Statements.

***Company as Lessee***

The components of lease costs under ASC 842 for leases that were recognized in the accompanying Statements of Operations for the successor fiscal year ended December 31, 2022, and period November 22, 2021 to December 25, 2021, were as follows:

| | Successor | |
|---|---|---|
| *(In Thousands)* | **Year Ended December 31, 2022** | **November 22, 2021 to December 25, 2021** |
| Operating lease cost | $ 27,026 | $ 1,251 |
| Short-term operating lease costs | 401 | 54 |
| Variable operating lease costs | 2,600 | 168 |
| Sublease income | (7,957) | (664) |
| Total operating lease cost | $ 22,070 | $ 809 |

For the predecessor period July 1, 2021 to November 21, 2021, and the fiscal year ended June 30, 2021, under ASC 840, the Company recorded rent expense in selling, general and administrative expenses in the accompanying Statement of Operations of $5.9 million and $15.2 million respectively, and sublease income of $3.7 million and $9.5 million respectively.

As of December 31, 2022, maturities of lease liabilities were as follows:

| Fiscal Year | | Operating leases (In thousands) |
|---|---|---|
| 2023 | $ | 31,526 |
| 2024 | | 28,717 |
| 2025 | | 27,167 |
| 2026 | | 25,473 |
| 2027 | | 22,962 |
| Thereafter | | 214,935 |
| **Total undiscounted lease payments** | | **350,780** |
| Less interest | | 129,127 |
| **Present value of lease liabilities** | **$** | **221,653** |

The following represents other information pertaining to the Company's lease arrangements for the years ended December 31, 2022 and December 25, 2021:

| | Operating | | | |
|---|---|---|---|---|
| *(In thousands)* | December 31, 2022 | | December 25, 2021 | |
| Right-of-use assets obtained in exchange for lease obligations(1) | $ | 179,819 | $ | — |
| Cash paid for amounts included in the measurement of lease liabilities | | 24,898 | | 1,223 |
| Weighted average remaining lease terms (years) | | 13.56 | | 4.87 |
| Weighted average discount rates | | 6.93 % | | 6.12 % |

(1) As of December 31, 2022, the majority of the lease liabilities arising from right-of-use assets were a result of Badcock's sale-leaseback transactions. For details regarding the sale-leaseback transaction, refer to "Note 5 – Property, Plant, and Equipment, Net".

***Company as Lessor***

The Company subleases some of its leased locations to certain dealers for operation as Badcock stores. The terms of these leases generally match those of the lease the Company has with the lessor. The following table illustrates the Company's maturity analysis of lease payments to be received for non-cancelable subleases as of December 31, 2022:

| | Operating Leases | |
|---|---|---|
| **Fiscal Year (in thousands)** | **Subleases** | |
| 2023 | $ | 7,068 |
| 2024 | | 5,241 |
| 2025 | | 4,141 |
| 2026 | | 3,076 |
| 2027 | | 1,606 |
| Thereafter | | 537 |
| **Total future minimum receipts** | **$** | **21,669** |

### (9) Income Taxes

Components of income tax expense for the periods ended December 31, 2022, December 25, 2021, November 21, 2021, and June 30, 2021 were as follows:

| | Successor | Transition Period | | Predecessor |
|---|---|---|---|---|
| *(In thousands)* | Year ended December 31, 2022 | November 22, 2021 through December 25, 2021 | July 1, 2021 through November 21, 2021 | Year ended June 30, 2021 |
| Current income tax expense: | | | | |
| Federal | $ 17,138 | $ — | $ 4,238 | $ 20,599 |
| State | 16 | — | 1,437 | 4,511 |
| **Total** | **17,154** | **—** | **5,675** | **25,110** |
| | | | | |
| Deferred income tax (benefit) expense: | | | | |
| Federal | (28,388) | 1,886 | (2,104) | 2,719 |
| State | (6,634) | 484 | (431) | 631 |
| **Total** | **(35,022)** | **2,370** | **(2,535)** | **3,350** |
| **Total income tax expense (benefit)** | **$ (17,868)** | **$ 2,370** | **$ 3,140** | **$ 28,460** |

For the periods ended December 31, 2022, December 25, 2021, November 21, 2021, and June 30, 2021, income before taxes consisted of the following:

| | Successor | Transition Period | | Predecessor |
|---|---|---|---|---|
| *(In thousands)* | Year ended December 31, 2022 | November 22, 2021 through December 25, 2021 | July 1, 2021 through November 21, 2021 | Year ended June 30, 2021 |
| Income (loss) before income taxes | | | | |
| United States | (53,399) | 6,171 | 26,074 | 115,046 |
| **Total** | **$ (53,399)** | **$ 6,171** | **$ 26,074** | **$ 115,046** |

Income tax expense differed from the amounts computed by applying the U.S. federal income tax rate of 21% to pre-tax income as a result of the following for the periods ended December 31, 2022, December 25, 2021, November 21, 2021, and June 30, 2021:

| | Successor | Transition Period | | Predecessor |
|---|---|---|---|---|
| *(In thousands)* | Year ended December 31, 2022 | November 22, 2021 through December 25, 2021 | July 1, 2021 through November 21, 2021 | Year ended June 30, 2021 |
| Computed "expected" income tax | $ (11,214) | $ 1,296 | $ 5,476 | $ 24,160 |
| State income taxes, net of federal benefit | (5,636) | 382 | 794 | 4,195 |
| Prior year true-up | 826 | — | — | — |
| Uncertain tax positions | (1,938) | — | — | — |
| Corporate owned life insurance premiums | — | — | (3,153) | — |
| Transaction costs | — | 682 | — | — |
| Other | 94 | 10 | 23 | 105 |
| **Reported income tax expense (benefit)** | **$ (17,868)** | **$ 2,370** | **$ 3,140** | **$ 28,460** |

The tax effect of temporary differences between the financial statement carrying amounts and tax basis of assets and liabilities that give rise to significant portions of deferred tax assets and liabilities as of December 31, 2022 and December 25, 2021 are as follows:

| | Successor | |
|---|---|---|
| *(In thousands)* | **December 31, 2022** | **December 25, 2021** |
| Deferred income tax assets/(liabilities): | | |
| Federal net operating loss carryforward | $ — | $ 22,181 |
| State net operating loss carryforward | — | 4,098 |
| Accrued expenses and reserves | 25,237 | 276 |
| Inventory | — | — |
| Transaction costs | 684 | 779 |
| Interest expense carryforwards | 2 | 713 |
| Lease liabilities | 55,766 | 12,970 |
| Gross deferred income tax assets | **81,689** | **41,017** |
| Less: valuation allowance | — | — |
| Total deferred income tax assets | **81,689** | **41,017** |
| Deferred income tax liabilities: | | |
| Property, plant and equipment | (2,744) | (36,759) |
| Inventory | (1,871) | (4,524) |
| Right-of-use assets | (56,100) | (12,961) |
| Debt issuance discounts | (707) | (1,400) |
| Prepaid expenses | (906) | — |
| Total deferred income tax liabilities | **(62,328)** | **(55,644)** |
| Net deferred income tax liabilities | **$ 19,361** | **$ (14,627)** |

In assessing the realizability of the gross deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. As of December 31, 2022, the Company has not recorded any valuation allowance against deferred tax assets.

As of December 31, 2022, the Company does not have any U.S. federal or state net operating loss carryforwards.

The Company adopted the accounting and disclosure requirements for uncertain tax positions, which requires a two-step approach to evaluate tax positions. This approach involves recognizing any tax positions that are more likely than not to occur and then measuring those positions to determine the amounts to be recognized in the financial statements. The Company decreased reserves for uncertain tax positions by $1.9 million primarily due to statute expiration as of December 31, 2022. It is reasonably possible that $1.1 million of uncertain tax positions may be recognized in the coming year as a result of a lapse of the statute of limitations.

| | Successor | |
|---|---|---|
| | Year Ended December 31, 2022 | November 22, 2021 to December 25, 2021 |
| *(In Thousands)* | | |
| Balance, beginning of year | $ 4,819 | $ — |
| Additions based on tax positions related to the current year | — | — |
| Acquired tax positions of prior years | — | 4,819 |
| Additions for tax positions of prior years | — | — |
| Reductions for tax positions of prior years | (427) | — |
| Settlements | — | — |
| Lapse of statute of limitations | (1,511) | — |
| Balance, end of year | **$ 2,881** | **$ 4,819** |

As of December 31, 2022, the Company's earliest open tax year for U.S. federal income tax purposes was its fiscal year ended June 30, 2019.

**(10) Related Party Transactions**

***Successor***

The successor Company had the following transactions with Parent:

Paid management fees of $2.4 million and $280 thousand for the fiscal year ended December 31, 2022 (Successor) and the transition period November 22, 2021 to December 25, 2021 (Successor), respectively. Management fees are included in selling, general and administrative expenses in the Statements of Operations.

***Predecessor***

The predecessor Company had made premium advances on certain insurance policies and interest-bearing loans to related parties, primarily former owners of the Company.

The predecessor Company had assigned split-dollar life insurance policies to several related parties. In exchange, the related parties have agreed to repay the premiums paid by the Company of approximately $6.0 million as of June 30, 2021. Each time the Company pays insurance premiums on behalf of these related parties, an additional promissory note is created. These promissory notes accrue interest at the "applicable federal rate" published monthly by the Internal Revenue Service. The aggregate obligations for outstanding principal and accrued interest evidenced by these notes will be satisfied from the proceeds of the policies payable upon the death of the makers. The Company recognized approximately $196,000 in interest income related to the promissory notes during the year ended June 30, 2021. All life insurance policies were terminated or transferred to the related parties at the completion of the acquisition of the Company by FRG.

The predecessor Company had also made loans to several related parties. The outstanding balances of approximately $428,000 as of June 30, 2021 was settled at the completion of the acquisition of the Company by FRG. The Company owed $1.8 million to one of the related parties as of June 30, 2021, and this balance was paid at the completion of the acquisition of the Company by FRG.

**(11) Commitments and Contingencies**

In the ordinary course of operations, the Company may become a party to legal proceedings. Based upon information currently available, management believes that such legal proceedings, individually or in the aggregate, will not have a material adverse effect on the Company's business, financial condition, cash flows, or results of operations.

The Company is party to claims and lawsuits that are considered to be ordinary, routine litigation incidental to the business, including claims and lawsuits concerning the fees charged to customers for various products and services, relationships with dealers, intellectual property disputes, employment matters, and contract disputes. Although the Company cannot provide assurance that it will ultimately prevail in each instance, it believes the amount, if any, it will be required to pay in the discharge of liabilities or settlements in these claims will not have a material adverse impact on its results of operations, financial position, or cash flows.

**(12) Unaudited Transition Period Comparative Data**

As discussed in "Note 1 - Organization and Significant Accounting Policies", the Company's change in fiscal year end in 2021 resulted in a six-month transition period ended December 25, 2021. The following table presents certain unaudited financial information for the six-months ended December 31, 2020, for comparability with the transition period presented in the Statements of Operations.

| *(in thousands)* | **For the six-months ended December 31, 2020 (Unaudited)** |
|---|---|
| Total revenue | $ 454,692 |
| Product cost of revenue | 194,377 |
| Selling, general, and administrative expenses | 119,871 |
| Dealer commissions | 87,751 |
| Income from operations | **52,693** |
| Interest expense, net | 6,928 |
| Income from operations before income taxes | 45,765 |
| Income tax expense | 11,442 |
| Net income | **$ 34,323** |

**(13) Subsequent Events**

The financial statements and related disclosures include evaluation of events up through and including March 4, 2024, which is the date the accompanying financial statements were available to be issued.

***Franchise Group, Inc. Merger***

On August 21, 2023, Franchise Group, Inc. completed certain transactions, including being acquired by Freedom VCM Holdings, LLC, contemplated by an Agreement and Plan of Merger, dated as of May 10, 2023. The merger met the definition of a business combination in accordance with ASC 805, "Business Combinations". As a result, the assets acquired and the liabilities of the Company were remeasured at fair value on August 21, 2023.

***Badcock Sale***

On December 18, 2023, W.S. Badcock LLC (f/k/a W.S. Badcock Corporation) was sold by Freedom VCM Holdings, LLC, and became a wholly-owned subsidiary of Conn's Inc. ("Conn's") through an all-stock transaction.

Exhibit 99.2

# W.S. Badcock LLC
# (f/k/a W.S. Badcock Corporation)

**Financial Statements (Unaudited) for the**
**Period from August 22, 2023 through and as of September 30, 2023 (Successor),**
**Period from January 1, 2023 through August 21, 2023 (Predecessor), and**
**Period from December 26, 2021 through September 24, 2022, (Predecessor)**

**W.S. BADCOCK LLC (f/k/a W.S. Badcock Corporation)**

**Financial Statements (Unaudited) for the**
**Period from August 22, 2023 through and as of September 30, 2023 (Successor),**
**Period from January 1, 2023 through August 21, 2023 (Predecessor), and**
**Period from December 26, 2021 to September 24, 2022, (Predecessor)**

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**W.S. BADCOCK LLC (f/k/a W.S. Badcock Corporation)**

Statements of Operations (Unaudited)

| | Successor | Predecessor | |
|---|---|---|---|
| *(In thousands)* | **Period from August 22 through September 30, 2023** | **Period from January 1 through August 21, 2023** | **Period from December 26, 2021 through September 24, 2022** |
| **Revenues:** | | | |
| Product | $ 53,085 | $ 323,455 | $ 474,857 |
| Service and other | 29,664 | 128,703 | 224,978 |
| **Total revenues** | **82,749** | **452,158** | **699,835** |
| | | | |
| Product cost of revenue | 22,234 | 195,647 | 261,011 |
| Selling, general, and administrative expenses | 24,948 | 148,392 | 201,285 |
| Dealer commissions | 14,707 | 89,029 | 126,736 |
| **Total operating expenses** | **61,889** | **433,068** | **589,032** |
| **Income from operations** | **20,860** | **19,090** | **110,803** |
| **Other expense:** | | | |
| Gain on sale-leaseback transactions, net | — | — | 59,225 |
| Interest expense, net | (30,431) | (107,381) | (175,467) |
| **Income (loss) from operations before income taxes** | **(9,571)** | **(88,291)** | **(5,439)** |
| Income tax expense (benefit) | (2,392) | (23,209) | (2,100) |
| **Net income (loss)** | **$ (7,179)** | **$ (65,082)** | **$ (3,339)** |

See accompanying notes to financial statements.

**W.S. BADCOCK LLC (f/k/a W.S. Badcock Corporation)**
Balance Sheets (Unaudited)

| *(In thousands)* | Successor September 30, 2023 | Predecessor December 31, 2022 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 11,797 | $ 11,358 |
| Current receivables, net of allowance for credit losses | 80,649 | 60,066 |
| Current securitized receivables, net of allowance for credit losses | 187,317 | 292,913 |
| Inventories | 104,318 | 136,748 |
| Current assets held for sale | 12,052 | 8,528 |
| Other current assets | 4,682 | 4,192 |
| **Total current assets** | **400,815** | **513,805** |
| Property, plant, and equipment, net | 39,739 | 18,365 |
| Non-current receivables, net | 1,721 | 2,263 |
| Non-current securitized receivables, net | 23,171 | 39,527 |
| Operating lease right-of-use assets | 174,944 | 225,816 |
| Non-current deferred tax assets | 19,361 | 19,361 |
| Other non-current assets | 2,082 | 2,460 |
| **Total assets** | **$ 661,833** | **$ 821,597** |
| **Liabilities and Stockholders' Equity** | | |
| **Current liabilities:** | | |
| Current installments of long-term obligations, net | $ 2,983 | $ 4,503 |
| Current installments of debt secured by accounts receivable, at fair value | 182,334 | — |
| Current installments of debt secured by accounts receivable, net | — | 340,021 |
| Current operating lease liabilities | 11,452 | 16,742 |
| Accounts payable and accrued expenses | 58,186 | 58,123 |
| Other current liabilities | 7,977 | 8,822 |
| **Total current liabilities** | **262,932** | **428,211** |
| Long-term obligations, excluding current installments | 307 | 2,310 |
| Non-current liabilities debt secured by accounts receivable, at fair value | 42,935 | — |
| Non-current liabilities debt secured by accounts receivable, net | — | 107,448 |
| Non-current operating lease liabilities | 159,016 | 204,911 |
| Other non-current liabilities | 10,794 | 11,057 |
| **Total liabilities** | **475,984** | **753,937** |
| **Stockholders' equity:** | | |
| Common stock Class A, voting, $100 par value. Authorized 5,000 shares; issued and outstanding 4,400 shares | 440 | 440 |
| Common stock Class B, non-voting, $1 par value. Authorized 350,000 shares; issued and outstanding 168,896 shares | 169 | 169 |
| Additional paid-in capital | 336,545 | 173,167 |
| Retained earnings (deficit) | (151,305) | (106,116) |
| **Total stockholders' equity** | **185,849** | **67,660** |
| **Total liabilities and stockholders' equity** | **$ 661,833** | **$ 821,597** |

See accompanying notes to financial statements.

**W.S. BADCOCK LLC (f/k/a W.S. Badcock Corporation)**

Statements of Stockholders' Equity (Unaudited)

Period from August 22 through September 30, 2023

| *(In thousands)* | Class A common stock | Class B common stock | Additional paid-in-capital | Retained earnings / (deficit) | Total stockholders' equity |
|---|---|---|---|---|---|
| **Balance at August 21, 2023** | **$ 440** | **$ 169** | **$ 357,987** | **$ (181,176)** | **$ 177,420** |
| Effect of Freedom Acquisition | — | — | (21,442) | 181,176 | 159,734 |
| **Successor: Balance at August 22, 2023** | **$ 440** | **$ 169** | **$ 336,545** | **$ —** | **$ 337,154** |
| Net income (loss) | — | — | — | (7,179) | (7,179) |
| Cash dividend | — | — | — | (144,126) | (144,126) |
| **Balance at September 30, 2023** | **$ 440** | **$ 169** | **$ 336,545** | **$ (151,305)** | **$ 185,849** |

Statements of Stockholders' Equity (Unaudited)

Period from January 1 through August 21, 2023

| *(In thousands)* | Class A common stock | Class B common stock | Additional paid-in-capital | Retained earnings / (deficit) | Total stockholders' equity |
|---|---|---|---|---|---|
| **Balance at December 31, 2022** | **$ 440** | **$ 169** | **$ 173,167** | **$ (106,116)** | **$ 67,660** |
| Cumulative impact of adoption of ASC 326 | — | — | — | (9,978) | (9,978) |
| Net income (loss) | — | — | — | (65,082) | (65,082) |
| Contributions from Parent | — | — | 184,820 | — | 184,820 |
| **Balance at August 21, 2023** | **$ 440** | **$ 169** | **$ 357,987** | **$ (181,176)** | **$ 177,420** |

Statements of Stockholders' Equity (Unaudited)

Period from December 26, 2021 through September 24, 2022

| *(In thousands)* | Class A common stock | Class B common stock | Additional paid-in-capital | Retained earnings / (deficit) | Total stockholders' equity |
|---|---|---|---|---|---|
| **Balance at December 25, 2021** | **$ 440** | **$ 169** | **$ 131,434** | **$ (8,056)** | **$ 123,987** |
| Net income (loss) | — | — | — | (3,339) | (3,339) |
| Effect of Franchise Group Acquisition | — | — | 3,514 | — | 3,514 |
| Cash dividend | — | — | — | (93,237) | (93,237) |
| **Balance at September 24, 2022** | **$ 440** | **$ 169** | **$ 134,948** | **$ (104,632)** | **$ 30,925** |

**W.S. BADCOCK LLC (f/k/a W.S. Badcock Corporation)**

Statements of Cash Flows (Unaudited)

| *(In thousands)* | Successor<br>Period from August 22 through September 30, 2023 | Predecessor<br>Period from January 1 through August 21, 2023 | Predecessor<br>Period from December 26, 2021 through September 24, 2022 |
|---|---|---|---|
| **Operating Activities** | | | |
| Net income (loss) | $ (7,179) | $ (65,082) | $ (3,339) |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Provision for credit losses for accounts receivable | 9,209 | 61,713 | 97,383 |
| Depreciation and amortization | 527 | 2,788 | 6,720 |
| Amortization of deferred financing costs | 2 | 17 | 7,935 |
| Securitized financing costs | 23,039 | 53,674 | 71,446 |
| Gain on sale of property, plant and equipment | — | — | (4,017) |
| Gain on sale-leaseback | — | — | (59,225) |
| Other non-cash items | — | 723 | 1 |
| Changes in operating assets and liabilities | | | |
| Accounts, notes, and securitized receivables | 4,842 | (25,168) | (79,483) |
| Income taxes receivable | — | (546) | (1,494) |
| Inventory | (8,068) | 4,955 | (28,557) |
| Other assets | 1,641 | (1,700) | (3,118) |
| Accounts payable and accrued expenses, deferred revenue (and other liabilities) | (20,309) | (54,025) | (48,923) |
| **Net cash provided by (used in) operating activities** | **3,704** | **(22,651)** | **(44,671)** |
| **Investing Activities** | | | |
| Purchases of property, plant, and equipment | (257) | (1,434) | (2,279) |
| Proceeds from sale of property, plant, and equipment | — | 265 | 260,426 |
| Payments received on operating loans to franchisees and dealers | — | 1,201 | 3,647 |
| **Net cash provided by (used in) investing activities** | **(257)** | **32** | **261,794** |
| **Financing Activities** | | | |
| Contributions from parent | — | 194,190 | — |
| Dividends paid | (153,638) | — | (92,608) |
| Repayment of long-term debt and other obligations | — | — | (355,374) |
| Proceeds from secured debt obligations | 113,465 | 133,398 | 298,919 |
| Repayment of secured debt obligations | (52,490) | (215,314) | (262,796) |
| **Net cash provided by (used in) financing activities** | **(92,663)** | **112,274** | **(411,859)** |
| **Net increase (decrease) in cash equivalents and restricted cash** | **(89,216)** | **89,655** | **(194,736)** |
| Cash, cash equivalents and restricted cash at beginning of period | 101,013 | 11,358 | 203,556 |
| **Cash, cash equivalents and restricted cash at end of period** | **$ 11,797** | **$ 101,013** | **$ 8,820** |
| **Supplemental Cash Flow Disclosure** | | | |
| Cash paid for taxes, net of refunds | $ — | $ 567 | $ — |
| Cash paid for interest | $ 18 | $ 192 | $ 6,021 |
| Cash paid for interest on secured debt | $ 7,439 | $ 53,665 | $ 63,668 |
| **Supplemental schedule of non-cash financing activities** | | | |
| Impact of pushdown accounting | $ (21,442) | $ — | $ 3,514 |

See accompanying notes to financial statements.

**W.S. BADCOCK LLC (f/k/a W.S. Badcock Corporation)**

**Notes to Unaudited Financial Statements**

**(1) Organization and Significant Accounting Policies**

*Description of Business***.** On December 8, 2023, W.S. Badcock Corporation converted from a corporation to a limited liability company and was thereby renamed W.S. Badcock LLC (the “Company”, "Badcock", or "our"). The Company is a retailer of furniture, appliances, bedding, electronics, home office equipment, accessories and seasonal items in a showroom format. Additionally, Badcock offers multiple and flexible payment solutions and credit options through third parties and its consumer financing services. On November 21, 2021, Franchise Group Inc. ("FRG" or “Parent”) purchased 100% of the Class A common stock and Class B common stock from the former owners of W.S. Badcock Corporation (the "Badcock Acquisition").

In the opinion of management, all adjustments (including those of a normal recurring nature) necessary for a fair presentation of such financial statements in accordance with GAAP have been recorded. The December 31, 2022 balance sheet information was derived from the audited financial statements as of that date.

*Franchise Group, Inc. Merger*

On August 21, 2023, Franchise Group, Inc. completed certain transactions, including being acquired by Freedom VCM Holdings, LLC, contemplated by an Agreement and Plan of Merger, dated as of May 10, 2023. The merger met the definition of a business combination in accordance with ASC 805, “Business Combinations”. As a result, the assets acquired and the liabilities of the Company were remeasured at fair value on August 21, 2023 (the "Freedom Acquisition"). The Company elected the accounting policy option as allowed under ASC 805 to apply pushdown accounting in their separate financial statements after this change-in-control event.

***Fair value option (FVO) - Successor Period Election***

ASC 825-10, *Financial Instruments*, provides FVO election that allows companies an irrevocable election to use fair value as the initial and subsequent accounting measurement attribute for certain financial assets and liabilities. ASC 825-10 permits entities to elect to measure eligible financial assets and liabilities at fair value on an ongoing basis. Unrealized gains and losses on items for which the FVO has been elected are reported in earnings. The decision to elect the FVO is determined on an instrument-by-instrument basis, must be applied to an entire instrument and is irrevocable once elected. Assets and liabilities measured at fair value pursuant to ASC 825-10 are required to be reported separately from those instruments measured using another accounting method. In accordance with the options presented in ASC 825-10, the Company elected to present its current and non-current liabilities debt secured by accounts receivable beginning on August 21, 2023 when the Company’s assets and liabilities were remeasured as part of the Freedom Acquisition. The Freedom Acquisition was a remeasurement event which created an election date for the FVO as discussed in paragraph 825-10-25-4(e). Management believes the reporting of these liabilities at fair value method closely approximates the true economics of the agreement. The Company will record the gains or losses from the changes in fair value of the liabilities within Interest expense, net in the Statements of Operations.

See "Note 1 - Organization and Significant Accounting Policies" in the financial statements for the fiscal year ended December 31, 2022 for accounting policy of the measurement of the current and non-current liabilities debt secured by accounts receivable for the Predecessor period when FVO was not elected.

*Sale-Leaseback Transactions*

In the nine months ended September 24, 2022, the Company sold a number of its retail locations, distribution centers, and its corporate headquarters for a total of $265.8 million, resulting in a net gain of $59.2 million, comprised of $64.7 million of gains and $5.5 million of losses. Contemporaneously with these sales, the Company entered into lease agreements pursuant to which the Company leased back the retail locations, distribution centers, and corporate headquarters, all of which are being accounted for as operating leases. The net gain has been recognized as "Gain on sale-leaseback transactions, net" on the Statements of Operations for the nine months ended September 24, 2022.

***Recent Accounting Pronouncements Adopted***

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2016-13, "Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," ("ASC 326"), which changes how companies measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The standard replaces the "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost (which generally will result in the earlier recognition of allowances for losses) and requires companies to record allowances for available-for-sale debt securities, rather than reduce the carrying amount. In addition, companies will have to disclose significantly more information, including information used to track credit quality by year of origination, for most financing receivables.

Effective January 1, 2023, the Company adopted ASU 2016-13 and applied a cumulative-effect adjustment to retained earnings. The Company has reviewed its entire portfolio of assets recognized on the balance sheet as of December 31, 2022 and identified customer receivables and securitized receivables as the materially impacted assets within the scope of ASC 326. Upon adoption of ASC 326 the Company recorded a net decrease to retained earnings of $10.0 million as of January 1, 2023. Prior period amounts were not adjusted and will continue to be reported under the previous accounting standards.

The cumulative effect of the changes made to the Company's Balance Sheet as a result of the adoption of ASC 326 were as follows:

| | **Impact of Adoption of ASC 326** | | |
|---|---|---|---|
| *(In thousands)* | Balance at December 31, 2022 | Adjustments due to ASC 326 | Balance at January 1, 2023 |
| **Assets** | | | |
| Current receivables, net | $ 60,066 | $ (654) | $ 59,412 |
| Current securitized receivables, net | 292,913 | (11,619) | 281,294 |
| Non-current securitized receivables, net | 39,527 | (1,568) | 37,959 |
| Deferred income taxes | 38,528 | 3,863 | 42,391 |
| **Stockholders' Equity** | | | |
| Retained earnings | (106,116) | (9,978) | (116,094) |

**(2) Acquisition and Pushdown Accounting**

The following table summarizes the preliminary estimates of the Badcock fair values of the identifiable assets acquired and liabilities assumed in the Freedom Acquisition discussed in "Note 1 - Organization and Significant Accounting Policies", on

August 21, 2023. The preliminary estimates of the fair value of identifiable assets acquired and liabilities assumed are subject to revisions, which may result in an adjustment to the preliminary values presented below.

| *(In thousands)* | | Preliminary 8/21/2023 |
|---|---|---|
| Cash and cash equivalents | $ | 101,012 |
| Inventories | | 96,250 |
| Accounts receivable, net | | 194,406 |
| Securitized accounts receivable, net | | 112,578 |
| Other current assets | | 18,299 |
| Property, plant, and equipment | | 40,015 |
| Operating lease right-of-use assets | | 173,655 |
| Other non-current assets | | 2,082 |
| **Total assets** | | **738,297** |
| Current installments of long-term obligations, net | | 3,205 |
| Current installments of debt secured by accounts receivable, net | | 132,106 |
| Current operating lease liabilities | | 11,225 |
| Accounts payable and accrued expenses | | 60,967 |
| Other current liabilities | | 6,865 |
| Long-term obligations, excluding current installments | | 430 |
| Non-current liabilities debt secured by accounts receivable, net | | 18,566 |
| Non-current operating lease liabilities | | 158,637 |
| Non-current deferred tax liabilities | | — |
| Other non-current liabilities | | 9,142 |
| **Total liabilities** | | **401,143** |
| **Total fair value of assets** | | **337,154** |
| | | |
| Carrying value of assets recorded | | (177,420) |
| **Impact of pushdown accounting** | **$** | **159,734** |

In accordance with ASC 805, and the Company's election of push down accounting, the difference in carrying value and fair value has been recorded as an "Effect of Freedom Acquisition" to Additional Paid-in Capital in the Statements of Stockholders' Equity. The consideration allocated to Badcock as part of the Freedom Acquisition equals the fair value of the net assets above.

**(3) Accounts and Notes Receivable**

Current and non-current receivables as of September 30, 2023 and December 31, 2022 are presented in the Balance Sheets as follows:

| *(In thousands)* | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Customer and dealer accounts receivable | $ 83,187 | $ 60,859 |
| Notes and interest receivable | 641 | 1,305 |
| Income tax receivable | 332 | (214) |
| Allowance for credit losses | (3,511) | (1,884) |
| Current receivables, net | 80,649 | 60,066 |
| Notes receivable, non-current | 2,551 | 3,022 |
| Allowance for credit losses, non-current | (830) | (759) |
| Non-current receivables, net | 1,721 | 2,263 |
| Total receivables | $ 82,370 | $ 62,329 |

***Allowance for Credit Losses***

The adequacy of the allowance for credit losses is assessed on a quarterly basis and adjusted as deemed necessary.

Activity in the allowance for credit losses for trade, customer, and dealer accounts receivable and notes receivable for the periods ended September 30, 2023 (Successor), August 21, 2023 (Predecessor) and September 24, 2022 (Predecessor), were as follows:

| | Successor | Predecessor | |
|---|---|---|---|
| *(In thousands)* | Period from August 22 through September 30, 2023 | Period from January 1 through August 21, 2023 | Period from December 24, 2021 through September 24, 2022 |
| Balance at beginning of period | $ 11,728 | $ 1,884 | $ 903 |
| Cumulative effect of adopted accounting standards | — | 654 | — |
| Provision for credit loss expense (benefit) | (8,217) | 9,190 | (660) |
| Write-offs, net of recoveries | — | — | — |
| Balance at end of period | $ 3,511 | $ 11,728 | $ 243 |

The non-current allowance for credit losses was deemed immaterial for both periods presented.

**(4) Securitized Accounts Receivable**

In order to monetize its customer credit receivables portfolio, Badcock sells beneficial interests in customer revolving lines of credit pursuant to securitization transactions. The Company securitized $346.2 million of its customer credit receivables portfolio for cash of $298.9 million during the nine months ended September 24, 2022. The Company securitized $161.1 million of its customer credit receivables portfolio for cash of $133.4 million during the period January 1, 2023 through August 21, 2023. The Company securitized an additional $162.1 million of its customer credit receivables portfolio for cash of $113.5 million with a related party, *B. Riley Receivables II LLC* (a wholly-owned subsidiary of Freedom VCM Holdings, LLC), during the period August 22, 2023 through September 30, 2023.

When securitized receivables are delinquent for approximately one year, the estimated uncollectible amount from the customer is written off and the corresponding securitized accounts receivable is reduced. Financial instruments that could potentially subject the Company to concentrations of credit risk consist of accounts receivable with its customers. The Company manages such risk by managing the customer accounts receivable portfolio using delinquency as a key credit quality indicator. Management believes the allowance is adequate to cover the Company's credit loss exposure. Prior to electing the fair value option, due to their non-recourse nature, the Company would record a gain on extinguishment for any debt secured by uncollectible accounts receivable in the future when the debt meets the extinguishment requirements in accordance with ASC 470, "Debt".

Activity in the allowance for credit losses on securitized accounts for the periods ended September 30, 2023 (Successor), August 21, 2023 (Predecessor) and September 24, 2022 (Predecessor), was as follows:

| | Successor | Predecessor | |
|---|---|---|---|
| *(In thousands)* | Period from August 22 through September 30, 2023 | Period from January 1 through August 21, 2023 | Period from December 24, 2021 through September 24, 2022 |
| Balance at beginning of period | $ 67,836 | $ 64,800 | $ — |
| Cumulative effect of adopted accounting standards | — | 13,187 | — |
| Effect of purchase adjustment | 11,451 | — | — |
| Provision for credit loss expense | 17,464 | 52,368 | 99,120 |
| Write-offs, net of recoveries | (8,329) | (62,519) | (53,858) |
| Balance at end of period | $ 88,422 | $ 67,836 | $ 45,262 |

Current amounts include receivables for customers who have made a payment in the past 30 days. Any customers who have not made a required payment within the last 30 days are considered past due. The following table presents the delinquency distribution of the gross value of customer accounts receivable by year of origination as of September 30, 2023:

| Delinquency Bucket | 2023 | 2022 | 2021 | Prior | Total |
|---|---|---|---|---|---|
| (in thousands) | | | | | |
| Current | $ 157,114 | $ 76,526 | $ 9,468 | $ 3,044 | $ 246,152 |
| 1-30 | 6,892 | 6,054 | 1,548 | 516 | 15,010 |
| 31-60 | 5,205 | 4,916 | 1,398 | 451 | 11,970 |
| 61-90 | 3,579 | 4,206 | 1,184 | 383 | 9,352 |
| 91+ | 8,523 | 36,311 | 12,153 | 3,425 | 60,412 |
| Total | $ 181,313 | $ 128,013 | $ 25,751 | $ 7,819 | $ 342,896 |

Servicing revenue, interest income and interest expense generated from securitized receivables for the periods ended September 30, 2023 (Successor), August 21, 2023 (Predecessor) and September 24, 2022 (Predecessor), were as follows:

| | Successor | | Predecessor | | | |
|---|---|---|---|---|---|---|
| *(In thousands)* | Period from August 22 through September 30, 2023 | | Period from January 1 through August 21, 2023 | | Period from December 24, 2021 through September 24, 2022 | |
| Securitization servicing revenue | $ | 1,756 | $ | 7,698 | $ | 6,636 |
| Interest income from securitization[1] | | 8,636 | | 53,466 | | 75,882 |
| Interest expense, debt secured by accounts receivable | | (30,426) | | (107,339) | | (163,557) |

[(1)] Includes interest income from Badcock customer receivables (refer to "Note 3 – Accounts and Notes Receivable") and securitized receivables.

**(5) Revenue**

For details regarding the principal activities from which the Company generates its revenue, refer to "Note 1 – Organization and Significant Accounting Policies" in the financial statements for the fiscal year ended December 31, 2022. The following represents the disaggregated revenue for the periods ended September 30, 2023 (Successor), August 21, 2023 (Predecessor) and September 24, 2022 (Predecessor):

| | Successor | | Predecessor | | | |
|---|---|---|---|---|---|---|
| *(In thousands)* | Period from August 22 through September 30, 2023 | | Period from January 1 through August 21, 2023 | | Period from December 24, 2021 through September 24, 2022 | |
| Total product revenue | $ | 53,085 | $ | 323,455 | $ | 474,857 |
| Financing revenue | | 242 | | 1,470 | | 394 |
| Interest income | | 8,636 | | 53,466 | | 75,882 |
| Interest income from amortization of account receivable discount | | 11,016 | | 15,982 | | 78,603 |
| Warranty and damage revenue | | 4,708 | | 30,173 | | 39,187 |
| Other revenues | | 5,062 | | 27,612 | | 30,912 |
| Total service revenue | | 29,664 | | 128,703 | | 224,978 |
| Total revenue | $ | 82,749 | $ | 452,158 | $ | 699,835 |

***Contract Balances***

The following table provides information about receivables and contract liabilities (deferred revenue) from contracts with customers as of September 30, 2023 and December 31, 2022:

| *(In thousands)* | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Accounts receivable | $ 83,187 | $ 60,859 |
| Notes receivable | 3,192 | 4,327 |
| | | |
| Customer deposits | 4,588 | 6,694 |
| Gift cards | 70 | 73 |
| Other deferred revenue | 4,772 | 2,794 |
| Total deferred revenue | $ 9,430 | $ 9,561 |

Deferred revenue consists of (1) amounts received for merchandise of which customers have not yet taken possession, (2) gift card or store credits outstanding, which are primarily recognized within one year following the revenue deferral.

**(6) Income Taxes**

*Overview*

For the period ended September 30, 2023 (Successor) and August 21, 2023 (Predecessor), the Company had an effective tax rate of 25.0% and 26.3%, respectively. For the nine months ended September 24, 2022 (Predecessor), the Company had an effective tax rate of 38.6%. The changes in the effective tax rate compared to the prior year are due to discrete items related to prior year true ups and statute lapses related to prior year accruals on uncertain tax positions.

**(7) Related Party Transactions**

The Company paid management fees of $146 thousand, $728 thousand and $1.8 million for the periods ended September 30, 2023 (Successor), August 21, 2023 (Predecessor) and September 24, 2022 (Predecessor), respectively. Management fees are included in selling, general and administrative expenses in the Statements of Operations.

See Note 4 "Securitized Accounts Receivable" for disclosure of certain related party securitized receivable and secured borrowing transactions with B. Riley Receivables II, LLC, a wholly-owned subsidiary of the Company's ultimate Parent.

**(8) Commitments and Contingencies**

In the ordinary course of operations, the Company may become a party to legal proceedings. Based upon information currently available, management believes that such legal proceedings, individually or in the aggregate, will not have a material adverse effect on the Company’s business, financial condition, cash flows, or results of operations.

The Company is party to claims and lawsuits that are considered to be ordinary, routine litigation incidental to the business, including claims and lawsuits concerning the fees charged to customers for various products and services, relationships with dealers, intellectual property disputes, employment matters, and contract disputes. Although the Company cannot provide assurance that it will ultimately prevail in each instance, it believes the amount, if any, it will be required to pay in the discharge of liabilities or settlements in these claims will not have a material adverse impact on its results of operations, financial position, or cash flows.

**(9) Subsequent Events**

The financial statements and related disclosures include evaluation of events up through and including March 4, 2024, which is the date the accompanying financial statements were available to be issued.

*Badcock Sale*

On December 18, 2023, W.S. Badcock LLC (f/k/a W.S. Badcock Corporation) was sold by Freedom VCM Holdings, LLC and became a wholly-owned subsidiary of Conn's Inc. through an all-stock transaction.

**Exhibit 99.3**

**CONN's, INC.**
**UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS**

On December 18, 2023, Conn's entered into an Investment Agreement, among Conn's Inc. ("Conn's", "Company" or "Management"), Franchise Group Newco BHF, LLC ("Newco BHF"), W.S. Badcock LLC ("Badcock"), Freedom VCM Interco Holdings, Inc. ("FVCM" or "Freedom VCM") and Franchise Group, Inc. ("FGI"). Pursuant to the Investment Agreement, Newco BHF contributed to Conn's all of the issued and outstanding equity interests of Badcock and FVCM agreed to contribute residual interests in certain receivables currently held by B. Riley Receivables II, LLC ("BRR2") to Badcock upon the satisfaction of certain indebtedness of BRR2 in the future. In exchange for the contributions, Conn's issued 1,000,000 shares of Preferred Stock to Newco BHF and FVCM. The Preferred Stock, subject to the terms set forth in the Certificate of Designation, is convertible into an aggregate of approximately 24,500,000 shares of Non-Voting Common Stock, which represents 49.99% of the issued and outstanding shares of common stock, par value $0.01 of the Company ("Common Stock"), outstanding immediately following the closing after giving effect to the issuance of the Preferred Stock and assuming the conversion of the Preferred Stock into Non-Voting Common Stock. The closing of the contributions and the issuance of the Preferred Stock occurred simultaneously with the signing of the Investment Agreement.

Prior to the Transaction, FGI held 100% of the equity interests of Newco BHF, which in turn held 100% of the issued and outstanding equity interests of Badcock ("Badcock Units"). Whereas Freedom VCM held 100% of the issued and outstanding equity interests of B. Riley Receivables II, LLC (collectively with FGI, Newco BHF and Freedom VCM, the "Sellers").

The Acquisition will be accounted for using the acquisition method of accounting for business combinations under Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 805, *Business Combinations*, with Conn's representing the accounting acquirer under this guidance. The unaudited pro forma combined financial statements were prepared in accordance with Article 11 of Regulation S-X, as amended by Final Rule Release No. 33-10786, *Amendments to Financial Disclosures About Acquired and Disposed Businesses.* The unaudited pro forma combined financial information is presented to illustrate the estimated effects of the Acquisition.

The unaudited pro forma combined balance sheet gives effect to the Acquisition as if the Acquisition occurred on October 31, 2023 and combines Conn's historical condensed consolidated balance sheet as of October 31, 2023 with Badcock's September 30, 2023 unaudited, adjusted balance sheet.

The unaudited pro forma combined statement of operations for the annual period ended January 31, 2023 combines Conn's historical audited consolidated statement of operations for the annual period ended January 31, 2023 with Badcock's historical audited statement of operations for the annual period ended December 31, 2022 giving effect to the Acquisition as if it occurred on February 1, 2022. Additionally, the unaudited pro forma combined statement of operations for the nine months ended October 31, 2023 combines Conn's historical condensed consolidated statement of operations for the nine months ended October 31, 2023 with Badcock's historical unaudited consolidated statement of operations for the predecessor period January 1 - August 21, 2023 and the successor period August 22, 2023 to September 30, 2023.

The estimated purchase price of the Acquisition will be allocated to the assets acquired and liabilities assumed based upon their estimated fair values as of the Closing Date (December 18, 2023); any excess value of the estimated consideration transferred over the net assets will be recognized as goodwill or bargain purchase. The Company has made a preliminary allocation of the purchase price to the assets acquired and liabilities assumed based on management's preliminary valuation of the fair value of tangible and intangible assets acquired and liabilities assumed using information currently available. The finalization of the Company's purchase accounting assessment may result in changes to the valuation of assets acquired and liabilities assumed, which could have a material impact on the accompanying unaudited pro forma combined financial information.

The unaudited pro forma combined financial information contains certain reclassification adjustments to conform the historical Badcock financial statement presentation to Conn's financial statement presentation. Additionally, the unaudited pro forma combined financial information contains adjustments reflecting the Acquisition and accounting policy alignment. The adjustments related to the Transaction are shown in a separate column as "Transaction Adjustments" whereas the adjustments related to the accounting policy alignment are shown in a separate column as "Inventory Policy Alignment."

Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the unaudited pro forma combined balance sheet as of October 31, 2023 and unaudited pro forma combined statements of operations for the annual period ended January 31, 2023 and for the nine months ended October 31, 2023.

The following unaudited pro forma combined financial information should be read in conjunction with Conn’s consolidated financial statements and related notes and Badcock’s financial statements and related notes. Conn’s financial statements and notes are included in the Company’s Quarterly Report on Form 10-Q for the nine months ended October 31, 2023 filed on December 18, 2023 and the Form 10-K for the annual period ending January 31, 2023 filed on March 29, 2023. Badcock’s audited financial statements and related notes for the year ended December 31, 2022 and unaudited financial statements and related notes for the predecessor period January 1 - August 21, 2023 and the successor period August 22, 2023 to September 30, 2023 are included elsewhere in this Form 8-K/A.

Conn’s and Badcock have different fiscal year ends as of January 31 and December 31, respectively. Given the difference between Conn’s and Badcock’s interim and annual periods is less than one quarter, no adjustment for different fiscal years is required to be presented within these unaudited pro forma combined financial statements.

The unaudited pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable under the circumstances. The unaudited pro forma combined financial information and related notes are presented for illustrative purposes only, and do not purport to represent what the actual consolidated results of operations or financial condition would have been had the Acquisition occurred on the dates indicated, nor are they necessarily indicative of the combined company's future results of operations or financial position. Additionally, the unaudited pro forma combined financial statements do not reflect the costs of any integration activities or benefits that may result from realization of future cost savings from operating efficiencies, or any revenue, tax, or other synergies that may result from the Acquisition.

**CONN’S, INC.**
**UNAUDITED PRO FORMA COMBINED BALANCE SHEET**
**AS OF OCTOBER 31, 2023**
**(Amounts in thousands)**

The accompanying notes are an integral part of these unaudited pro forma combined financial statements.

| | Conn's Inc. October 31, 2023 Historical | Badcock September 30, 2023 As Adjusted (Note 3) | Transaction Adjustments (Note 5) | Note Ref | Pro Forma Combined |
|---|---|---|---|---|---|
| | | **Assets** | | | |
| **Current Assets** | | | | | |
| Cash and cash equivalents | $ 5,562 | $ 11,797 | $ (7,021) | **(a)** | $ 10,338 |
| Restricted cash (includes VIE balance of $39,321) | 41,430 | — | — | | 41,430 |
| Current securitized accounts receivable, less reserves | — | 187,317 | (8,184) | **(b)** | 179,133 |
| Customers accounts receivable, net of allowances | 424,940 | 77,842 | 9,704 | **(b)** | 512,486 |
| Other accounts receivable | 52,020 | 2,476 | — | | 54,496 |
| Inventories | 231,814 | 102,234 | 22,059 | **(b)** | 356,107 |
| Income taxes receivable | 40,933 | — | — | | 40,933 |
| Prepaid expenses and other current assets | 11,496 | 17,066 | — | | 28,562 |
| **Total current assets** | **808,195** | **398,732** | **16,558** | | **1,223,485** |
| Non-current securitized AR, less reserves | — | 23,171 | 3,596 | **(b)** | 26,767 |
| Long-term portion of customer accounts receivable, net of allowances (includes VIE balance of $176,188) | 355,092 | — | — | | 355,092 |
| Property and equipment, net | 214,770 | 39,739 | 176 | **(b)** | 254,685 |
| Intangibles, net | — | — | 20,500 | **(b)** | 20,500 |
| Operating lease right-of-use assets | 335,423 | 174,944 | 46,696 | **(o)** | 557,063 |
| Deferred tax asset | — | 19,361 | (19,361) | **(b)** | — |
| Other assets | 12,912 | 3,803 | (2,757) | **(b)** | 13,958 |
| **Total Assets** | **$ 1,726,392** | **$ 659,750** | **$ 65,408** | | **$ 2,451,550** |
| | | **Liabilities and Shareholders' Equity** | | | |
| **Current Liabilities** | | | | | |
| Short-term securitized debt | $ — | $ 182,334 | $ (15,990) | **(b)** | $ 166,344 |
| Short-term debt and current finance lease obligations | 7,934 | 2,983 | 5 | **(o)** | 10,922 |
| Accounts payable | 66,540 | 37,690 | — | | 104,230 |
| Accrued compensation and related expenses | 18,618 | 4,053 | 250 | **(c)** | 22,921 |
| Accrued expenses | 73,205 | 18,871 | 13,315 | **(d)** | 105,391 |
| Operating lease liability - current | 60,303 | 11,452 | 4,690 | **(o)** | 76,445 |
| Income taxes payable | 2,439 | — | — | | 2,439 |

| | | | | | |
|---|---|---|---|---|---|
| Deferred revenues and other credits | 10,229 | 7,847 | — | | 18,076 |
| **Total current liabilities** | **$ 239,268** | **$ 265,230** | **$ 2,270** | | **$ 506,768** |
| Long-term securitized debt | — | 42,935 | (18,079) | **(b)** | 24,856 |
| Operating lease liability - non-current | 403,531 | 159,016 | 43,106 | **(o)** | 605,653 |
| Long-term debt and finance lease obligations (includes VIE balances of $389,628 and $410,790, respectively | 673,472 | 308 | 31 | **(o)** | 673,811 |
| Deferred tax liabilities | 1,952 | — | — | | 1,952 |
| Other long-term liabilities | 17,601 | 8,497 | — | | 26,098 |
| **Total Liabilities** | **$ 1,335,824** | **$ 475,986** | **$ 27,328** | | **$ 1,839,138** |
| Commitments and contingencies | | | | | |
| Temporary equity - Contingently Redeemable Preferred Stock | — | — | 62,246 | **(e)** | 62,246 |
| **Shareholders' Equity** | | | | | — |
| Preferred stock | — | 440 | (440) | **(f)** | — |
| Common stock | 339 | 169 | (169) | **(f)** | 339 |
| Treasury stock | (193,370) | — | — | | (193,370) |
| Additional paid-in capital | 163,584 | 336,545 | (336,545) | **(f)** | 163,584 |
| Retained earnings | 420,015 | (153,390) | 312,988 | **(h)** | 579,613 |
| **Total Shareholders' Equity** | **$ 390,568** | **$ 183,764** | **$ 38,080** | | **$ 612,412** |
| **Total Liabilities and Shareholders' Equity** | **$ 1,726,392** | **$ 659,750** | **$ 65,408** | | **$ 2,451,550** |

**CONN's, INC.**
**UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS**
**FOR THE TWELVE MONTHS ENDED JANUARY 31, 2023**
**(Amounts in thousands, except per share data)**

The accompanying notes are an integral part of these unaudited pro forma combined financial statements.

| | Conn's, Inc. twelve months ended January 31, 2023 Historical | Badcock twelve months ended December 31, 2022 As Adjusted (Note 3) | Transaction Adjustments (Note 5) | Note Ref | Pro Forma Combined |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Product sales | 986,600 | 628,170 | — | | 1,614,770 |
| Repair service agreement commissions | 80,446 | 37,436 | — | | 117,882 |
| Service revenues | 9,544 | 31,981 | — | | 41,525 |
| Total net sales | 1,076,590 | 697,587 | — | | 1,774,177 |
| Finance charges and other revenues | 265,937 | 221,469 | — | | 487,406 |
| **Total revenues** | **1,342,527** | **919,056** | **—** | | **2,261,583** |
| **Costs and expense:** | | | | | |
| Cost of goods sold | 710,234 | 353,051 | 22,164 | **(i)** | 1,085,449 |
| Selling, general and administrative expense | 526,212 | 295,269 | 13,734 | **(j)** | 835,215 |
| Provision for bad debts | 121,193 | 144,497 | — | | 265,690 |
| Charges and credits, net | 14,360 | — | — | | 14,360 |
| **Total costs and expenses** | **1,371,999** | **792,817** | **35,898** | | 2,200,714 |
| **Operating (loss) income** | **(29,472)** | **126,239** | **(35,898)** | | **60,869** |
| **Other (income) expense:** | | | | | |
| Bargain purchase gain | — | — | (152,338) | **(g)** | (152,338) |
| Gain on sale-leaseback transactions, net | — | (59,771) | — | | (59,771) |
| Interest expense, net | 36,891 | 239,908 | | | 276,799 |
| **Total other (income) expense** | **36,891** | **180,137** | **(152,338)** | | **64,690** |
| **Loss before income taxes** | **(66,363)** | **(53,898)** | **116,440** | | **(3,821)** |
| Benefit for income taxes | (7,071) | (17,868) | (10,368) | **(m)** | (35,307) |
| **Net Income (loss)** | **$ (59,292)** | **$ (36,030)** | **$ 126,808** | | **$ 31,486** |
| **Net loss per share:** | | | | | |
| Basic | (2.46) | | | **(n)** | 0.53 |
| Diluted | (2.46) | | | **(n)** | 0.53 |
| **Weighted average shares outstanding** | | | | | |
| Basic | 24,117 | — | 24,540 | **(n)** | 48,658 |
| Diluted | 24,117 | — | 24,540 | **(n)** | 48,658 |

**CONN's, INC.**
**UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS**
**FOR THE NINE MONTHS ENDED OCTOBER 31, 2023**
**(Amounts in thousands, except per share data)**

The accompanying notes are an integral part of these unaudited pro forma combined financial statements.

| | Conn's, Inc. nine months ended October 31, 2023 Historical | Badcock combined nine months ended September 30, 2023 As Adjusted (Note 3) | Transaction Adjustments (Note 5) | Note Ref | Pro Forma Combined |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Product sales | $ 626,324 | $ 376,540 | — | | $ 1,002,864 |
| Repair service agreement commissions | 51,600 | 25,847 | — | | 77,447 |
| Service revenues | 6,720 | 24,262 | — | | 30,982 |
| Total net sales | 684,644 | 426,649 | — | | 1,111,293 |
| Finance charges and other revenues | 186,962 | 108,259 | — | | 295,221 |
| **Total revenues** | **871,606** | **534,908** | **—** | | **1,406,514** |
| **Costs and expenses:** | | | | | |
| Cost of goods sold | 448,280 | 217,881 | 123 | **(k)** | 666,284 |
| Selling, general and administrative expense | 395,244 | 204,243 | 83 | **(l)** | 599,570 |
| Provision for bad debts | 101,334 | 73,504 | — | | 174,838 |
| Charges and credits, net | 1,264 | — | — | | 1,264 |
| **Total costs and expenses** | **946,122** | **495,628** | **206** | | 1,441,956 |
| **Operating (loss) income** | **(74,516)** | **39,280** | **(206)** | | **(35,442)** |
| Interest expense, net | 55,614 | 137,812 | — | | 193,426 |
| **Loss before income taxes** | **(130,130)** | **(98,532)** | **(206)** | | **(228,868)** |
| Benefit for income taxes | (9,936) | (25,601) | (15,329) | **(m)** | (50,866) |
| **Net loss** | **$ (120,194)** | **$ (72,931)** | **$ 15,123** | | **$ (178,002)** |
| **Net loss per share:** | | | | | |
| Basic | (4.97) | | | **(n)** | (6.88) |
| Diluted | (4.97) | | | **(n)** | (6.88) |
| Weighted average shares outstanding-basic | 24,196 | — | 24,540 | **(n)** | 48,736 |
| Weighted average shares outstanding-diluted | 24,196 | — | 24,540 | **(n)** | 48,736 |

**CONN'S, INC.**
**NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS**

## 1. Basis of Pro Forma Presentation

The unaudited pro forma combined financial information is presented to illustrate the pro forma effects of the Acquisition. Conn's historical information is derived from Conn's audited, condensed consolidated balance sheet as of October 31, 2023, condensed consolidated statement of operations for the nine months ended October 31, 2023 and the audited consolidated statement of operations for the annual period ended January 31, 2023, all of which were prepared in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP").

Badcock's historical financial information is derived from its unaudited statement of operations for the predecessor period January 1 - August 21, 2023 and the successor period August 22, 2023 to September 30, 2023, unaudited balance sheet as of September 30, 2023, and audited statement of operations for the annual period ended December 31, 2022, all of which were prepared in accordance with U.S. GAAP.

The unaudited pro forma combined statements of operations illustrate the effects of the Acquisition as if it had been completed on February 1, 2022, and the unaudited pro forma combined balance sheet reflects effects of the Acquisition as if it had been completed on October 31, 2023. The pro forma adjustments are preliminary and based on estimates of the purchase consideration and estimates of fair value and useful lives of the assets acquired and liabilities assumed. The final purchase price allocations will be based on estimated fair value of the assets acquired and the liabilities assumed as of the Closing Date of the Acquisition and could result in material changes to the unaudited pro forma combined financial information.

Conn's will apply FASB ASC Topic 820 *Fair Value Measurements* for purposes of measuring the estimated fair value of the assets acquired and liabilities assumed in determining the final purchase price allocations. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". This is an exit price concept for the valuation of the asset or liability. In addition, market participants are assumed to be buyers and sellers unrelated to Conn's in the principal (or the most advantageous) market for the asset or liability. Fair value measurements for an asset assume the highest and best use by these market participants. Many of these fair value measurements can be highly subjective and it is also possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts.

The unaudited pro forma combined financial information has been prepared using the acquisition method of accounting in accordance with FASB ASC Topic 805 *Business Combinations* ("Topic 805"), where Conn's is the accounting acquirer of Badcock. Under Topic 805, acquisition-related costs (such as investment banking, legal service, financing-related items, insurance, and other advisory fees) incurred by and on behalf of Conn's are not part of the allocation of the consideration transferred but are part of the transaction accounting adjustments for the Acquisition and not a separate material transaction. Adjustments were made for transaction costs to the extent that they were incurred or expected to be incurred and not already recognized in the historical financial statements.
The unaudited pro forma combined information is preliminary, presented solely for informational purposes and does not purport to represent what the combined statements of operations or balance sheet would have been for the periods or dates indicated, nor is it necessarily indicative of the combined future consolidated results of operations or financial position. The actual results reported in periods following the Acquisition may differ significantly from those reflected in these unaudited pro forma combined financial information presented herein for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the pro forma adjustments and actual amounts, cost savings or associated costs to achieve such savings from operating efficiencies, synergies, debt refinancing, or other restructuring that may result from the Acquisition, but for which are not reflected herein. Any non-recurring items related to the Acquisition were reflected in the unaudited pro forma combined financial information as they will not recur beyond twelve months after the acquisition.

## 2. Description of the Acquisition

On December 18, 2023, Conn's entered into an Investment Agreement with NewCo BHF, Badcock, FVCM and FGI in which Badcock became a wholly owned subsidiary of Conn's and all residual interest in certain receivables held by BRR2 were transferred to Conn's. At the Closing of the Transaction, the Company issued 25.5 million shares of Convertible Preferred Stock valued at $62.2 million and paid $7.0 million in transactions costs on behalf of Badcock, resulting in total consideration transferred of $69.2 million.

At the time of issuance of these unaudited pro forma combined financial statements, the determination of purchase consideration as defined in ASC Topic 805 is preliminary. See Note 4 below for further details on the estimated purchase consideration.

### 3. Adjustments to Badcock's Financial Statements

The adjustments reflected in Badcock's historical unaudited balance sheet as of September 30, 2023, unaudited statement of operations for the predecessor period January 1 - August 21, 2023 and the successor period August 22, 2023 to September 30, 2023 and audited statement of operations for the annual period ended December 31, 2022 were made to align Badcock's accounting policies and presentation with that of Conn's. The impact of the Freedom Acquisition on August 21, 2023 as discussed in the Badcock unaudited interim financial statements has not been reflected as a pro forma adjustment as if the transaction occurred on January 1, 2022.

The Company identified certain reclassifications and accounting policy alignment adjustments that were necessary to conform Badcock's financial information presentation to that of Conn's. For purposes of the unaudited pro forma combined financial statements, Badcock's historical balance sheet and statement of operations have been adjusted to reflect these reclassifications and accounting policy alignment adjustments below. Management's assessment is ongoing and, at the time of preparing the unaudited pro forma combined financial statements, other than the adjustments and reclassifications made herein, management is not aware of any other material differences.

*Unaudited Balance Sheet as of September 30, 2023*

The following table illustrates the impact of aligning financial statement line items to conform to Conn's financial statement presentation as of October 31, 2023, in thousands:

| | Badcock September 30, 2023 Historical | Alignment to Conn's, Inc. Captions | Inventory Policy Alignment | Note Ref | Badcock September 30, 2023 as adjusted |
|---|---|---|---|---|---|
| | | **Assets** | | | |
| **Current assets:** | | | | | |
| Cash and cash equivalents | $ 11,797 | $ — | $ — | | $ 11,797 |
| Current receivables, net of allowance for credit losses | 80,650 | (80,650) | — | **1(a)** | — |
| Current securitized accounts receivable, net of allowances | 187,317 | — | — | | 187,317 |
| Customer accounts receivable, net of allowances | — | 77,842 | — | **1(a)** | 77,842 |
| Other accounts receivable | — | 2,476 | — | **1(a)** | 2,476 |
| Inventories | 104,318 | — | (2,085) | **1(c)** | 102,233 |
| Current assets held for sale | 12,052 | (12,052) | — | **1(d)** | — |
| Income taxes receivable | — | — | — | | — |
| Prepaid expenses and other current assets | — | 17,066 | — | **1(a), 1(b), 1(d)** | 17,066 |
| Other current assets | 4,682 | (4,682) | — | **(1(b)** | — |
| **Total current assets** | **400,816** | **—** | **(2,085)** | | **398,731** |
| Property, plant and equipment, net | 39,739 | — | — | | 39,739 |
| Non-current receivables, net | 1,721 | (1,721) | — | **1(g)** | — |
| Non-current securitized receivables, net | 23,171 | — | — | | 23,171 |
| Operating lease right-of-use assets | 174,944 | — | — | | 174,944 |
| Non-current deferred tax asset | 19,361 | — | — | | 19,361 |
| Other non-current assets | 2,082 | 1,721 | — | **1(d), 1(g)** | 3,803 |
| **Total assets** | **$ 661,834** | **$ —** | **$ (2,085)** | | **$ 659,749** |
| | | **Liabilities and shareholders' equity** | | | |
| **Current liabilities:** | | | | | |
| Current installments of long-term debt obligations, net | 2,983 | (2,983) | — | **1(h)** | — |
| Current installments of debt secured by accounts receivable, at fair value | 182,334 | — | — | | 182,334 |
| Current operating lease liabilities | 11,452 | — | — | **1(i)** | 11,452 |
| Accounts payable and accrued expenses | 58,186 | (58,186) | — | **1(h), 1(j)** | — |
| Accounts payable | — | 37,690 | — | **1(j)** | 37,690 |
| Accrued compensation and related expenses | — | 4,053 | — | **1(j)** | 4,053 |
| Accrued expenses | — | 18,870 | — | **1(j), 1(k)** | 18,870 |

| | | | | | |
|---|---|---|---|---|---|
| Deferred revenues and other credits | — | 7,847 | — | **1(k)** | 7,847 |
| Short-term debt | — | 2,983 | — | **1(h)** | 2,983 |
| Other current liabilities | 7,977 | (7,977) | — | **1(k)** | — |
| **Total current liabilities** | **262,932** | **2,297** | **—** | | **265,229** |
| Long-term debt obligations, excluding current installments | 308 | — | — | | 308 |
| Non-current liabilities debt secured by accounts receivable, at fair value | 42,935 | — | — | | 42,935 |
| Non-current operating lease liabilities | 159,016 | — | — | | 159,016 |
| Other non-current liabilities | 10,794 | (2,297) | — | **1(m)** | 8,497 |
| **Total liabilities** | **475,985** | **—** | **—** | | **475,985** |
| **Shareholders' equity** | | | | | — |
| Common stock Class A, voting, $100 par value. Authorized 5,000 shares; issued and outstanding 4,400 shares | 440 | — | — | | 440 |
| Common stock Class B, non-voting, $1 par value. Authorized 350,000 shares; issued and outstanding 168,896 shares | 169 | — | — | | 169 |
| Additional paid-in capital | 336,545 | — | — | | 336,545 |
| Retained earnings (deficit) | (151,305) | — | (2,085) | **1(c)** | (153,390) |
| **Total Stockholders' Equity** | **185,849** | **—** | **(2,085)** | | **183,764** |
| **Total liabilities and stockholders' equity** | **$ 661,834** | **$ —** | **$ (2,085)** | | **$ 659,749** |

*Unaudited Statement of Operations for the twelve months ended December 31, 2022*

The following table illustrates the impact of aligning financial statement line items to conform to Conn's financial statement presentation for the twelve months ended January 31, 2023, in thousands:

| | Badcock 12 months ended December 31, 2022 Historical | Alignment to Conn's, Inc. Captions | Inventory Policy Alignment | Note Ref | Badcock 12 months ended December 31, 2022 as adjusted |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| Product Sales | $ 628,170 | $ — | $ — | | $ 628,170 |
| Service and other | 290,887 | (290,887) | — | **1(q)** | — |
| Repair service agreement commissions | — | 37,436 | — | **1(q)** | 37,436 |
| Services revenue | — | 31,982 | — | **1(q)** | 31,982 |
| **Total net sales** | **919,057** | **(221,469)** | — | | **697,588** |
| Finance charges and other revenues | — | 221,469 | — | **1(q)** | 221,469 |
| **Total revenues** | **919,057** | — | — | | **919,057** |
| Cost of goods sold | 353,051 | — | — | | 353,051 |
| **Operating expenses:** | | | | | |
| Provision for bad debts | — | 144,497 | — | **1(r)** | 144,497 |
| Dealer commissions | 168,068 | (168,068) | | **1(f)** | — |
| Selling, general and admin expenses | 271,200 | 23,571 | 497 | **1(r), 1(s), 1(f)** | 295,268 |
| Charges and credits, net | — | — | — | | — |
| **Total operating expenses** | **439,268** | — | **497** | | **439,765** |
| **Income (loss) from operations** | **126,738** | — | **(497)** | | **126,241** |
| **Other income (expense):** | | | | | |
| Gain on sale-leaseback transactions, net | 59,772 | — | — | | 59,772 |
| Interest expense, net | (239,908) | — | — | | (239,908) |
| **Total other income (expense)** | (180,136) | — | — | | (180,136) |
| **Income (Loss) from operations before income taxes** | **(53,398)** | — | **(497)** | | **(53,895)** |
| Income Taxes (Benefit) | (17,868) | — | — | | (17,868) |
| **Net income (loss) from operations** | $ (35,530) | $ — | $ (497) | | $ (36,027) |

*Unaudited Statement of Operations for the Predecessor period January 1 - August 21, 2023 and the Successor period August 22, 2023 to September 30, 2023*

The following table illustrates the impact of aligning financial statement line items to conform to Conn's financial statement presentation for the nine months ended October 31, 2023, in thousands:

| | Badcock Predecessor January 1 to August 21, 2023 | Badcock Successor August 22 to September 30, 2023 | Alignment to Conn's, Inc. Captions | Inventory Policy Alignment | Note Ref | Badcock combined 9 months ended September 30, 2023, as adjusted |
|---|---|---|---|---|---|---|
| **Revenues:** | | | | | | |
| Product sales | $ 323,455 | $ 53,085 | $ — | $ — | | $ 376,540 |
| Service and other | 128,703 | 29,664 | (158,367) | — | **1(t)** | — |
| Repair service agreement commissions | — | — | 25,847 | — | **1(t)** | 25,847 |
| Service revenues | — | — | 24,262 | — | **1(t)** | 24,262 |
| **Total net sales** | **452,158** | **82,749** | **(108,258)** | **—** | | **426,649** |
| Finance charges and other | — | — | 108,259 | — | **1(t)** | 108,259 |
| **Total revenues** | **452,158** | **82,749** | **1** | **—** | | **534,908** |
| Cost of goods sold | 195,647 | 22,234 | — | — | | 217,881 |
| **Operating expenses:** | | | | | | |
| Provision for bad debts | — | — | 73,504 | — | **1(e)** | 73,504 |
| Dealer commissions | 89,029 | 14,707 | (103,736) | | **1(f)** | — |
| Selling, general and admin expenses | 148,392 | 24,948 | 30,233 | 670 | **1(e), 1(f), 1(s)** | 204,243 |
| Charges and credits, net | — | — | — | — | | — |
| **Total operating expenses** | **237,421** | **39,655** | **1** | **670** | | **277,747** |
| **Income (loss) from operations** | **19,090** | **20,860** | **—** | **(670)** | | **39,280** |
| **Other income (expense):** | | | | | | |
| Interest expense | (107,381) | (30,431) | | — | | (137,812) |
| **Income (Loss) from operations before income taxes** | **(88,291)** | **(9,571)** | **—** | **(670)** | | **(98,532)** |
| Income Taxes (Benefit) | (23,209) | (2,392) | — | — | | (25,601) |
| **Net income (loss) from operations** | **$ (65,082)** | **$ (7,179)** | **$ —** | **$ (670)** | | **$ (72,931)** |

**Reclassification and Policy Alignment Adjustments**

In addition to the alignment of Badcock's historical financial information to conform to Conn's financial statement line items, the following summary represents accounting policy alignment and reclassifications to conform Badcock's historical financial information to Conn's financial statement presentation and accounting policies:

1(a) Reclasses from accounts receivable, less reserves:
   i. of $77.8 million to customer accounts receivable
   ii. of $2.4 million to other accounts receivable
   iii. of $332 thousand to prepaid expenses and other current assets
1(b) Reclass of $4.6 million from other assets to prepaid expenses and other current assets
1(c) Reflects adjustment to decrease freight costs to dealers capitalized into inventory to align with Conn's inventory capitalization policy
1(d) Reclass of assets held for sale and other assets to prepaids and other current assets
1(e) Reclass of $73.5 million from selling, general and administrative expenses to provision for bad debts
1(f) Reclass from dealer commissions to selling, general and administrative expenses
1(g) Reclass from non-current receivables to other non-current assets
1(h) Reclass from current installments of long-term debt obligations to short-term debt
1(j) Reclass from accounts payable and accrued expenses:
   i. of $36.2 million to accounts payable
   ii. of $4.1 million to accrued compensation and related expenses
   iii. of $17.8 million to accrued expenses
1(k) Reclass from other current liabilities of $7.8 million to deferred revenues and other credits and $129 thousand to accrued expenses
1(m) Reclass from other long-term liabilities to deferred tax liability

1(q) Reclass from service and other revenue:
   i. of $221.4 million to finance charges and other revenue
   ii. of $37.4 million to repair service agreement commissions
   iii. of $32 million to service revenues
1(r) Reclass from selling, general and administrative costs of $144.4 million to provision for bad debts
1(s) Reclass to expense previously capitalized freight to dealer costs to align with Conn's inventory policy
1(t) Reclass from service and other revenue:
   i. of $108.3 million to finance charges and other revenue
   ii. of $25.8 million to repair service agreement commissions
   iii. of $24.2 million to service revenues

**4. Preliminary Purchase Price Allocation**

The table below represents the preliminary purchase price allocation for Badcock based on estimates, assumptions, valuations and other analyses as of the Closing Date, which have not been finalized in order to make a definitive allocation. Accordingly, the pro forma adjustments to allocate the merger consideration will remain preliminary until Conn's management finalizes the fair values of assets acquired and liabilities assumed. The final amounts allocated to assets acquired and liabilities assumed, and therefore, calculation of goodwill (bargain purchase), are dependent upon certain valuation and other studies that have not yet been completed and could differ materially from the amounts presented in the unaudited pro forma combined financial statements.

The accompanying unaudited pro forma condensed combined financial statements reflect a purchase price of approximately $69.27 million, determined as of December 18, 2023, which consists of the following (in thousands, except exchange ratio and price):

| | | |
|---|---|---|
| **Preliminary Purchase Price** | $ | 69,267 |
| **Preliminary purchase price consideration allocated to:** | | |
| **Assets:** | | |
| Cash and cash equivalents | $ | 3,714 |
| Customer accounts receivable, net of allowance | | 90,353 |
| Securitized accounts receivable, current | | 179,170 |
| Other accounts receivable | | 2,670 |
| Inventories | | 126,377 |
| Prepaid expenses and other current assets | | 6,563 |
| Property and equipment, net | | 49,022 |
| Operating lease right-of-use asset | | 221,641 |
| Securitized accounts receivable, non-current | | 26,773 |
| Intangible assets, net | | 20,500 |
| Other assets | | 2,235 |
| **Total assets acquired** | **$** | **729,018** |
| **Liabilities:** | | |
| Current operating lease obligations | | 16,142 |
| Accounts payable | | 24,630 |
| Accrued compensation and related expenses | | 4,818 |
| Accrued expenses | | 46,673 |
| Income taxes payable | | 4,225 |
| Securitized Borrowing, current | | 166,361 |
| Short-term debt | | 2,162 |
| Operating lease liability - non-current | | 202,122 |
| Deferred revenues and other credits | | 5,097 |
| Securitized Borrowing, non-current | | 24,858 |
| Long-term debt | | 53 |
| Deferred tax liability | | 8,964 |
| Other long-term liabilities | | 1,308 |
| **Total liabilities assumed** | **$** | **507,413** |
| | | |
| **Total net assets acquired** | **$** | **221,605** |
| | | |
| **Bargain purchase gain** | **$** | **152,338** |

**5. Transaction Adjustments**

Closing Consideration

The following table represents the estimated closing consideration:

| | | |
|---|---|---|
| Number of shares outstanding as of Closing Date | | 24,540 |
| Share price | $ | 2.85 |
| Stock consideration | | 69,940 |
| Discount for lack of marketability | | (7,693) |
| **Total stock consideration** | $ | 62,246 |
| WSBC Acquisition-related costs | | 7,021 |
| **Total estimated purchase price consideration** | **$** | **69,267** |

Adjustments in the unaudited pro forma financial information are represented by the following:

a. Cash consideration in the form of transaction costs paid on behalf of Badcock by Conn's
b. Reflects adjustment to reflect balance at fair value

The following table summarizes the estimated fair values of Badcock's identifiable intangible assets and their fair value as a percentage of the purchase consideration.

| | | Fair value | % of Purchase Consideration |
|---|---|---|---|
| **Badcock Trade Names** | $ | 20,500 | 29.6% |
| **Customer Relationships** | | — | —% |
| **Total assets acquired** | | 20,500 | 29.6% |

c. Reflects accrued retention bonus to retain Badcock employees through the transaction
d. Reflects accrual of transaction costs incurred by Conn's. These non-recurring costs are not included in the unaudited pro forma combined statement of operations. The adjustment does not include severance, restructuring or other costs that may result from the acquisition.
e. Reflects the contingently redeemable preferred stock purchase consideration
f. Reflects the elimination of the historical Badcock's APIC and preferred and common stock
g. The fair value of the net assets acquired exceeded the purchase consideration, resulting in a bargain purchase gain
h. Impact on accumulated deficit, as follows:
    1. Reflects the total transaction costs of $13.31 million not recorded in historical financial statements as of October 31, 2023
    2. Reflects the retention bonus expense of $250 thousand not historically recorded in the historical financial statements as of October 31, 2023
    3. Reflects removal of historical Badcock accumulated loss of $53.1 million
    4. Remaining amount is the bargain purchase gain, resulting from the fair value of the net assets acquired exceeding the purchase consideration
i. Impact on cost of goods sold, as follows:
    1. Reflects $105 thousand of depreciation stemming from the step up FV adjustment to property, plant and equipment
    2. Reflects $22.1 million of cost of goods sold stemming from the inventories step up FV adjustment
j. Impact on selling, general, and administrative expenses:
    1. Reflects $693 thousand of depreciation stemming from the step up FV adjustment to property, plant and equipment
    2. Reflects the $250 thousand bonus retention expense not previously recognized in the historical financial statements for the annual period ending January 31, 2023
    3. Reflects the $13.3 million transaction costs not previously recognized in the historical financial statements for the annual period ending January 31, 2023
k. Reflects $123 thousand depreciation stemming from the step up FV adjustment to property, plant and equipment
l. Reflects $83 thousand of depreciation expense stemming from the step up FV adjustment to property, plant and equipment

m. Provision for Income Tax: Reflects adjustment to align benefit to income taxes to management's the estimate of 22.61% effective rate applied to the pro forma combined loss before income taxes
n. Earnings per share

Basic and diluted pro forma weighted average shares outstanding were increased by the 24.5 million shares issued as part of the purchase consideration. The pro forma net income increased for the annual period ending January 31, 2023 mainly due to the bargain purchase gain recognized, resulting in an increase in the basic and diluted pro forma earnings per share. The net loss and amount of weighted average shares outstanding increased for the nine months ended October 31, 2023 due to the inclusion of both Conn's and Badcock's net losses and adjustments discussed above. Due to pro forma net loss incurred for the interim period, preferred shares were excluded from the calculation because they are not contractually obligated to participate in losses. The pro forma basic and diluted earnings per share decreased for the interim period. The following table reflects the corresponding pro forma adjustments, in thousands, except per share amounts:

| | For the 12 Months Ending January 31, 2023 | For the 9 Months Ending October 31, 2023 |
|---|---|---|
| **Pro forma weighted-average shares outstanding (Basic)** | | |
| Historical weighted-average shares outstanding | 24,117 | 24,196 |
| Conn's preferred shares issued on the Closing Date on an as converted basis | 24,540 | 24,540 |
| **Pro forma basic weighted-average shares outstanding** | 48,657 | 48,736 |
| | | |
| **Pro forma weighted-average shares outstanding (Diluted)** | | |
| Historical weighted-average shares outstanding | 24,117 | 24,196 |
| Conn's preferred shares issued on the Closing Date on an as converted basis | 24,540 | 24,540 |
| **Pro forma diluted weighted-average shares outstanding** | 48,657 | 48,736 |
| | | |
| **Pro forma earnings per share** | | |
| Pro forma net income | $ 31,486 | $ (178,002) |
| Dividends (based on issuance value of $72.1 million and 8% dividend) | 5,771 | (10,773) |
| Remaining earnings to be distributed | 25,058 | (168,770) |
| Pro forma basic earnings per share(1) | $ 0.53 | $ (6.88) |
| Pro forma diluted earnings per share(1) | $ 0.53 | $ (6.88) |

(1) Preferred shares are excluded as they are not contractually obligated to participate in losses.

o. Represents an adjustment to account for acquired leases as new leases under purchase accounting pursuant to ASC 805 and ASC 842.