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

Form 10-K

(Mark One)

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

For the fiscal year ended January 31, 2020

or

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

For the transition period from to

Commission File Number 001-34956

CONN’S, INC.
(Exact name of registrant as specified in its charter)

Delaware	**06-1672840**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
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**

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**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	o	Accelerated filer	☒
Non-accelerated filer	o	Smaller reporting company	o
		Emerging growth company	o

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. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of July 31, 2019, was $304.7 million based on the closing price of the registrant’s common stock as reported on the NASDAQ Global Select Market on such date.

There were 29,007,164 shares of common stock, $0.01 par value per share, outstanding on April 1, 2020.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required to be furnished pursuant to Part III of this Form 10-K is set forth in, and is hereby incorporated by reference herein from, Conn’s definitive proxy statement for its 2020 Annual Meeting of Stockholders, to be filed by Conn’s with the Securities and Exchange Commission (“SEC”) pursuant to Regulation 14A within 120 days after January 31, 2020.

CONN'S INC. AND SUBSIDIARIES

FORM 10-K
FOR THE FISCAL YEAR ENDED JANUARY 31, 2020

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This Annual Report on Form 10-K includes our trademarks such as "Conn's," "Conn's HomePlus," "YE$ YOU'RE APPROVED," "YES Money," "YE$ Money," "YES Lease," "YE$ Lease," and our logos, which are protected under applicable intellectual property laws and are the property of Conn's, Inc. This report also contains trademarks, service marks, trade names and copyrights of other companies, which are the property of their respective owners. Solely for convenience, trademarks and trade names referred to in this Annual Report may appear without the ® or TM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensor to these trademarks and trade names.

References to "we," "our," "us," "the Company," "Conn's" or "CONN" refer to Conn's, Inc. and, as apparent from the context, its consolidated bankruptcy-remote variable-interest entities ("VIEs"), and its wholly-owned subsidiaries.

PART I

Forward-Looking Statements

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

ITEM 1. BUSINESS.

Company Overview

Conn's, Inc., a Delaware corporation, is a holding company with no independent assets or operations other than its investments in its subsidiaries. References to "we," "our," "us," "the Company," "Conn's" or "CONN" refer to Conn's, Inc. and, as apparent from the context, its subsidiaries. Conn's is a leading specialty retailer that offers a broad selection of quality, branded durable consumer goods and related services in addition to proprietary credit solutions for its core credit-constrained consumers. We operate an integrated and scalable business through our retail stores and website. Our complementary product offerings include furniture and mattresses, home appliances, consumer electronics and home office products from leading global brands across a wide range of price points. Our credit offering provides financing solutions to a large, under-served population of credit-constrained consumers who typically have limited credit alternatives. We provide customers the opportunity to comparison shop across brands with confidence in our competitive prices as well as affordable monthly payment options, next day delivery and installation in the majority of our markets and product repair service. We believe our large, attractively merchandised stores and credit solutions offer a distinctive value proposition compared to other retailers that target our core customer demographic.

Our fiscal year ends on January 31. References to a fiscal year refer to the calendar year in which the fiscal year ends.

Operating Segments

We operate two reportable segments: retail and credit. Information regarding segment performance is included in Part II, Item 7., *Management's Discussion and Analysis of Financial Condition and Results of Operations*, and Part II, Item 8. in Note 14, *Segment Information*, of the Consolidated Financial Statements of this Annual Report on Form 10-K.

Retail Segment. We began as a small plumbing and heating business in 1890 and started selling home appliances to the retail market in 1937 through one store located in Beaumont, Texas. As of January 31, 2020, we operated 137 retail stores located in 14 states. Our stores typically range in size from 25,000 to 50,000 square feet and are predominantly located in areas densely populated by our core customers.

We utilize a merchandising strategy that offers a wide range of quality, branded products across a broad spectrum of price points. This wide selection allows us to offer products and price points that appeal to the majority of our core consumers. Our primary retail product categories include:

- Furniture and mattress, including furniture and related accessories for the living room, dining room and bedroom, as well as both traditional and specialty mattresses. We offer brands such as Corinthian, Franklin, Catnapper, Serta and Simmons Beautyrest.
- Home appliance, including refrigerators, freezers, washers, dryers, dishwashers and ranges. We offer brands such as Samsung, LG, General Electric, and Frigidaire.
- Consumer electronics, including LED, OLED, QLED, 4K Ultra HD, 8K, smart televisions, gaming products and home theater and portable audio equipment. We offer brands such as Samsung, LG, Sony, Bose and Microsoft Xbox.
- Home office, including computers, printers and accessories. We offer brands such as HP, Dell, Apple, and Microsoft.

We strive to ensure that our customers' shopping experience at Conn's is equal to, or exceeds, their experience with other providers of durable consumer goods targeting our core customer demographic. We offer a high level of customer service through our commissioned and trained sales force, next day delivery and installation in the majority of our markets and product repair or replacement services for most items sold in our stores. Flexible payment alternatives offered through our proprietary in-house credit programs and third-party financing alternatives provide our customers the ability to make aspirational purchases. We believe our extensive brand and product selection, competitive pricing, financing alternatives and supporting services, combined with our customer service-focused store, delivery and service associates make us an attractive alternative to appliance and electronics superstores, department stores and other national, regional, local and internet retailers. We believe our attractive credit programs generate strong customer loyalty and repeat business.

Credit Segment. Our in-house consumer credit programs are an integral part of our business and are a major driver of customer loyalty. We believe our in-house credit programs are a significant competitive advantage that we have developed over our 50-plus years in providing credit. We have developed proprietary underwriting models that provide standardized credit decisions, including down payment, limit amounts and credit terms, based on customer risk and income level. We use our proprietary auto-decision algorithms and in-depth evaluations of creditworthiness performed by qualified in-house credit underwriters to complete all credit decisions. In order to improve the speed and consistency of underwriting decisions, we continually review our auto-decision algorithms. Additionally, we provide access to alternative financing options to a wider range of consumers through our relationship with third-party payment solution providers such as Synchrony Bank ("Synchrony") and Progressive Leasing ("Progressive"). These third parties manage their own respective underwriting decisions and are responsible for their own collections. Our in-house credit programs and access to third-party payment solutions allows us to provide credit to a large and under-served customer base and differentiates us from our competitors that do not offer similar programs.

Our goal is to provide every customer that enters our stores or applies for credit on our website an affordable monthly payment option. Currently, we make the following payment options available to our customers based on a review of their credit worthiness:

- For customers with credit scores that are typically above 650, we offer special no-interest or lower interest option financing programs on select products through a Conn's branded revolving credit card from Synchrony or we may offer an in-house financing program;
- For customers with credit scores that are typically between 550 and 650, we offer our proprietary in-house financing program, which is a fixed term, fixed payment installment and consumer loan contract; and
- For customers that do not qualify for our credit programs, we offer a lease-to-own payment option through an arrangement with our third-party lease-to-own provider.

We continuously evaluate alternative financing programs that may give us the ability to provide more customers with the ability to purchase the products and services we offer.

Our retail business and credit business operate independently from each other. The retail segment is not involved in credit approval decisions or collections. Decisions to extend consumer credit to our retail customers under our in-house programs are made by our internal credit underwriting department. In addition to underwriting, we manage the collection process of our in-house consumer credit portfolio. Sales financed through our in-house credit programs are secured by the products purchased, which we believe gives us a distinct advantage over other creditors when pursuing collections. Also, the products we sell and finance are typically necessities for the home.

We mitigate credit risk by originating to a substantial number of customers who have purchased from us in the past. These repeat customers have historically exhibited a lower probability of default than new customers. For fiscal year 2020 and 2019, 49% and 55%, respectively, of our originations were to repeat customers who financed a purchase through our in-house credit programs more than five months after financing an initial purchase through our in-house credit programs. As of January 31, 2020 and 2019,

60% and 62%, respectively, of balances due under our in-house credit programs were from repeat customers who have previously financed with us.

Industry and Market Overview

The products we sell are typically considered home necessities, used by our customers in their everyday lives. Many factors influence sales, including consumer confidence, economic conditions, and household formations. We also benefit from the introduction of new products and technologies driving consumers to upgrade existing appliances, electronics and home office products.

As of January 31, 2020, we operated 64 of our 137 stores in Texas. According to the U.S. Department of Commerce's Bureau of Economic Analysis (the "Bureau of Economic Analysis"), Texas was the second largest state by nominal GDP in 2019. In addition, from calendar year 2014 to 2019, Texas experienced population growth of 7.5% compared to the United States ("U.S.") population growth of 3.1% over the same period. Moreover, the unemployment rate in Texas was 3.5% as of January 2020.

Furniture and Mattress. According to the Bureau of Economic Analysis, personal consumption expenditures for household furniture and mattresses were $132.7 billion for calendar year 2019, an increase of 6.7% from $124.4 billion in 2018. The household furniture and mattress market is highly fragmented with sales coming from manufacturer-owned stores, independent dealers, furniture centers, specialty sleep product stores, national and local chains, mass market retailers, department stores, internet retailers, and, to a lesser extent, home improvement centers, decorator showrooms, wholesale clubs and catalog retailers. For fiscal year 2020, we generated 35.6% of total product sales from the sale of furniture and mattresses. The furniture and mattress category generated our highest individual product category gross margin. Given our ability to provide customer financing and next day delivery, we believe that we have strong competitive advantages and significant growth opportunities in this market and expect to continue to grow the balance of sale of our furniture and mattress product category. Product design, innovation and technological advancements have been key drivers of sales in this market.

Home Appliance. According to the Bureau of Economic Analysis, personal consumption expenditures for home appliances were $58.9 billion for calendar year 2019, an increase of 2.3% from $57.6 billion in 2018. Major household appliances, such as refrigerators and washer/dryers, accounted for 83.9% of this total at $49.5 billion in 2019. For fiscal year 2020, we generated 34.6% of total product sales from the sale of home appliances. The retail appliance market is large and concentrated among a few major dealers, with sales coming primarily from home improvement centers, large appliance and electronics superstores, national chains, warehouse clubs, department stores, regional chains, local dealers/single-store operators, manufacturer-direct websites and internet retailers.

Key drivers of sales in the appliance market include product design and innovation, brand and quality. We carry products with features that include large-capacity, high-efficiency laundry appliances, refrigerator design innovation, technological advancements such as smart home connectivity and variations on these features from leading brands.

Consumer Electronics and Home Office. According to the Bureau of Economic Analysis, electronics spending was $248.4 billion for calendar year 2019, an increase of 6.9% from $232.4 billion for calendar year 2018. Televisions accounted for $33.7 billion of the overall personal consumption expenditures, versus $32.4 billion in the prior year. Personal computers and peripheral equipment accounted for $54.9 billion of the overall expenditures, compared to $50.8 billion in the prior year. For fiscal year 2020, we generated 21.2% of total product sales from the sale of consumer electronics and 7.0% of total product sales from the sale of home office products. The electronics market is highly fragmented with sales coming from large appliance and electronics superstores, national chains, warehouse clubs, regional chains, local dealers/single-store operators, manufacturer-direct websites, manufacturer-direct stores, consumer electronics departments of selected department and discount stores and internet retailers.

Technological advancements and the introduction of new products largely drive demand in the electronics market. Historically, industry growth has been fueled primarily by the introduction of products that incorporate new technologies and advances in existing technologies, including OLED, QLED, 4K Ultra HD, 8K, smart televisions, gaming products, home theater and touch-screen computers. New technologies offer better clarity and quality of video, increased computer processing speed, availability of additional 4K content and other significant advantages.

Consumer Credit. Based on data from the Federal Reserve System, estimated total consumer credit outstanding, which primarily excludes loans secured by real estate, was $4.2 trillion as of December 31, 2019, an increase of 5.0% from $4.0 trillion at December 31, 2018. Consumers obtain credit from banks, credit unions, finance companies and non-financial businesses that offer credit, including retailers. The credit obtained takes many forms, including revolving (e.g., credit cards) and fixed-term (e.g., automobile loans), and at times is secured by the products being purchased.

Competition. Our competitive strength is based on offering financing options, including our proprietary in-house credit programs, to our core credit-constrained customers, enhanced customer service and customer shopping experience through our unique sales force training and product knowledge, next day delivery capabilities, low payment guarantee, and product repair service. Currently, we compete against a diverse group of retailers, including national mass merchants such as Wal-Mart, Target, Sam's Club, Sears and Costco, specialized national retailers such as Best Buy, Ashley Furniture and Mattress Firm, home improvement stores such

as Lowe's and Home Depot, and locally-owned regional or independent retail specialty stores that sell furniture and mattresses, home appliances, and consumer electronics similar, and often identical, to those items we sell. We also compete with internet retailers such as Amazon, Wayfair and manufacturer-direct websites. In addition, there are few barriers to entry into our current and contemplated markets, and new competitors may enter our current or future markets at any time. Certain of our competitors are beginning to offer third party financing or provide other forms of credit, which compete with our in-house credit programs for credit-constrained consumers. We also compete against companies offering credit-constrained consumers products for the home similar to those offered by us under weekly or monthly lease-to-own payment options. Competitors include Aaron's and Rent-A-Center, as well as many smaller, independent companies.

Customers

We have a well-defined core consumer base that is comprised of working individuals who typically earn between $25,000 to $60,000 in annual income, live in densely populated and mature neighborhoods, and typically shop at our stores to replace older household goods with newer items. Our product line is comprised of durable home necessities which enables us to appeal to a diverse range of cultural and socioeconomic backgrounds and to operate stores in diverse markets. No single customer accounts for more than 10% of our total revenues and we do not have a significant concentration of sales with any individual customer. Therefore, the loss of any one customer would not have a material impact on our business.

Seasonality

Our business is seasonal which typically means that a higher portion of sales and operating profit are realized during the fourth quarter due primarily to the holiday selling season. In addition, during the first quarter, our portfolio performance benefits from the timing of personal income tax refunds received by our customers, which typically results in higher cash collection rates.

Merchandising

Vendors. We purchase products from a wide range of manufacturers and distributors. Our agreements with these manufacturers and distributors typically cover a one-year time period and are renewable at the option of the parties. Similar to other specialty retailers, we purchase a significant portion of our total inventory from a limited number of vendors. During fiscal year 2020, 85.7% of our total inventory purchases were from six vendors, including 33.6%, 16.3% and 11.0% of our total inventory purchases from Samsung, LG and Corinthian, respectively. The loss of any one or more of these key vendors or our failure to establish and maintain relationships with these and other vendors could have a material adverse effect on our results of operations and financial condition. Other than industry-wide shortages that occur from time to time, we have not experienced significant difficulty in maintaining adequate sources of merchandise and we generally expect that adequate sources of merchandise will continue to exist for the types of products we sell.

Merchandise. We focus on providing a selection of quality merchandise at a wide range of price points to appeal to a broad range of potential customers. We primarily sell brand name merchandise with manufacturer's warranties. Our established relationships with furniture and mattress, home appliance and consumer electronics vendors give us purchasing power that allows us to offer name brand appliances and electronics at prices that are comparable with national retailers and provides us a competitive selling advantage over smaller independent retailers. We are able to purchase furniture inventory in volumes that allow us to import container load quantities that reduce our costs and allow us to offer our products at competitive prices. Additionally, we provide next-day delivery to a majority of our customers, giving us a competitive advantage over smaller furniture retailers in the marketplace today.

Credit Operations

General. We sell our products by offering our customers financing through our proprietary in-house credit programs, the use of third-party financing, and by taking cash or credit card payments. For the fiscal year 2020, approximately 67.6% of purchases were financed through our proprietary in-house credit programs, approximately 24.8% of purchases were financed through the use of third-party financing, and approximately 7.6% of purchases were made with cash or credit card.

Underwriting. Decisions to extend credit to our retail customers are made by our internal credit underwriting department, which is separate and distinct from our other operations, including credit monitoring and collections and retail sales. In addition to auto-decision algorithms, we employ a team of credit underwriting personnel of approximately 55 individuals to make credit granting decisions using our proprietary underwriting process. Our underwriting process considers one or more of the following elements: credit bureau information; income and address verification; current income and debt levels; a review of the customer's previous credit history with us; and the particular products being purchased. Our underwriting models determine the finance terms, including down payment, limit amounts and credit terms. During fiscal year 2020, for the credit applications that were approved and utilized, 59% were approved automatically. The remaining credit decisions were based on the evaluation of the customer's creditworthiness by a qualified in-house credit underwriter or required additional documentation from the applicant. For certain credit applicants that may have past credit problems or lack credit history, we use stricter underwriting criteria. The additional requirements include verification of employment and recent work history, reference checks and minimum down payment levels. Our underwriting employees are trained to follow our methodology in approving credit.

Part of our ability to control delinquency and net charge-off is based on the total approval amount, the level of down payment that we require, the maximum contract terms we allow and the purchase money security interest that we obtain in the product financed, which reduce our credit risk and increase our customers' ability and willingness to meet their future obligations. We require the customer to provide proof of property insurance coverage on all purchases financed through our credit offerings to offset potential losses relating to theft or damage of the product financed. We do not require customers to purchase property insurance from us if they have or acquire such insurance from another third-party.

Credit monitoring and collections. Our collection activities involve a combination of efforts that take place primarily in our Beaumont and San Antonio, Texas, collection centers. As of January 31, 2020, we employed approximately 440 full and part time individual collectors and support personnel who service our active customer credit portfolio. We also utilize collection agencies to service portions of our charged-off portfolio, which provide approximately 270 additional agents. Our in-house, credit-financed sales are secured by the products purchased, which we believe gives us a distinct advantage over other creditors when pursuing collections, especially given that many of the products we finance are generally necessities for the home. We utilize a credit collection strategy that includes telephone calls and messages, internal collectors that contact borrowers, collection letters, e-mails, text messages and third-party legal services that process claims and attend bankruptcy hearings and voluntary repossession. Our employees are trained to follow our methodology in collecting our accounts and charging off any uncollectible accounts based on pre-determined aging criteria, depending on their area of responsibility. All collection personnel are required to complete classroom training, which includes negotiation techniques and credit policy training to ensure customer retention and compliance with debt collection regulations. Post-graduation, the collection trainees undergo skill assessment training, coaching and call monitoring within their respective departments. Our personnel are required to complete regular refresher training and testing.

We closely monitor the credit portfolio to identify delinquent accounts early and dedicate resources to contact customers concerning past due accounts. We believe that our unique underwriting models, secured interest in the products financed, required down payments and credit limits, local presence, ability to work with customers relative to their product and service needs, and our flexible financing alternatives help mitigate the loss experience on our portfolio.

Customers can make payments through our web portal, over the phone, by ACH, third-party bill pay arrangements, by mail to our lock box or in-person at our store locations. During fiscal year 2020, we received 25.5% of the payments on credit accounts in our store locations, which helps us maintain a relationship with the customer that keeps losses lower while encouraging repeat purchases. We regularly extend or "re-age" a portion of our delinquent customer accounts as a part of our normal collection procedures to protect our investment. Generally, extensions are granted to customers who have experienced a financial difficulty (such as the temporary loss of employment), which is subsequently resolved and when the customer indicates a willingness and ability to resume making monthly payments. These re-ages involve modifying the payment terms to defer a portion of the cash payments currently required of the debtor to help the debtor improve his or her financial condition and eventually be able to pay the account balance. Our re-aging of customer accounts does not change the interest rate or the total principal amount due from the customer and typically does not reduce the monthly contractual payments. We typically charge the customer an extension fee, where permitted, which approximates the interest owed for the time period the contract was past due. Our re-age programs consist of extensions and two payment updates, which include unilateral extensions to customers who make two full payments in three calendar months in certain states. Re-ages are not granted to debtors who demonstrate a lack of intent or ability to service the obligation or have reached our limits for account re-aging. To a much lesser extent, we may provide the customer the ability to re-age their obligation by refinancing the account, which does not change the interest rate or the total principal amount due from the customer but does reduce the monthly contractual payments and extends the term. Under these options the customer must demonstrate a willingness and ability to resume making contractual monthly payments.

We deem an account to be uncollectible and charge it off when the account is more than 209 days past due at the end of a month. Our credit and accounting staff consistently monitor trends in charge-offs by examining the various characteristics of the charge-offs, including by market, product type, customer credit and income information, down payment amounts and other identifying information. We track our charge-offs both gross, before recoveries, and net, after recoveries. We periodically adjust our credit granting, collection and charge-off policies based on this information. It is to our advantage to manage the portfolio to balance the combined servicing costs and net losses on the credit portfolio with the benefit of repeat retail sales. We may incur higher servicing costs in order to build customer relationships that may result in future retail sales. Collection activity continues after an account is charged off by both internal staff and third party collection agencies who are typically paid on a contingency basis.

Store Operations

Stores. We operate retail stores in 14 states. The following table summarizes the number of stores in operation at January 31, 2020 in each of our markets:

Geographic Location	Number of Locations	Retail Square Feet	Other Square Feet
Alabama	4	154,585	28,383
Arizona	11	384,283	73,936
Colorado	7	243,383	47,623
Georgia	1	40,935	8,446
Louisiana	10	407,899	98,227
Mississippi	2	73,780	13,892
Nevada	3	118,511	26,072
New Mexico	4	138,285	23,325
North Carolina	11	419,584	83,889
Oklahoma	4	135,215	27,740
South Carolina	4	140,145	21,516
Tennessee	6	214,116	46,455
Texas	64	2,299,887	361,537
Virginia	6	207,538	43,235
Store totals	137	4,978,146	904,276
Distribution and Service Centers and Cross-dock Facilities (excluding cross-docks within stores)	20	—	3,084,076
Corporate Offices	4	—	222,438
Total	161	4,978,146	4,210,790

Our stores have an average selling space of approximately 36,000 square feet, plus a storage area for fast-moving and smaller products that customers prefer to carry out rather than wait for in-home delivery. Seventeen of our retail stores also contain cross-dock facilities.

We continuously evaluate our existing and potential sites to position our stores in desirable locations and relocate stores that are not properly positioned. We typically lease rather than purchase our stores, distribution and service centers and cross-dock facilities to retain the flexibility of managing our financial commitment to a location if we later decide that a store or market is performing below our standards or the market would be better served by a relocation. As of January 31, 2020, we leased almost all of our store, distribution and service center and cross-dock locations.

Personnel and compensation. We staff a typical store with a store manager, an assistant manager, an operations manager, an average of 18 sales personnel and other support staff, including cashiers and porters based on store size and location. Managers have an average tenure with us of approximately four years and typically have prior sales floor experience. In addition to store managers, we have 18 district managers.

We compensate the majority of our sales associates on a straight commission arrangement. Store managers and assistant store managers receive a salary and are eligible for a bonus. We believe that because our store compensation plans are primarily tied to sales, they generally provide us an advantage in attracting and retaining highly motivated employees.

Advertising

We design our marketing programs to increase awareness of our brand, which we expect will create and maintain customer loyalty, increase the number of customers that shop in our stores and on our website and increase sales. We employ a multi-touch point approach utilizing direct mail, television, newspaper, digital, radio and out-of-home targeted advertising. Our promotional programs include the use of free delivery and free product promotions, in conjunction with product discounts and various no-interest option financing offers.

E-Commerce

We are focused on expanding the capabilities of our website to generate customer traffic for both our digital and physical stores. Our website provides new and existing customers with the ability to purchase substantially all of our product offerings, view prices, apply for credit and make payments on their credit accounts. We update our website regularly to reflect new products, product availability and current promotional offers. Our website is a significant component of our advertising strategy. We believe our website represents a possible source for future sales and growth in our credit collections. We are focused on improving the customer experience by making it easier for customers to apply for and be approved for credit on-line. In late fiscal year 2019, we started to offer certain credit-qualified customers the ability to complete an entire purchase transaction financed online through our proprietary in-house credit programs. Our website averaged approximately 65,000 credit applications per month during fiscal year 2020. This compares to average monthly website applications of approximately 59,000 and 57,000 during fiscal year 2019 and 2018, respectively.

The website is supported by a call center, allowing us to better assist customers with their credit and product needs.

Distribution and Inventory Management

We currently operate 10 regional distribution centers, which are located in Houston, San Antonio, Dallas, Beaumont, El Paso, and McAllen, Texas; Phoenix, Arizona; Denver, Colorado; Charlotte, North Carolina; and Nashville, Tennessee, one service center located in Houston, Texas, 9 smaller cross-dock facilities and 17 stores with cross-dock facilities. This enables us to deliver products to our customers quickly, reduces inventory requirements at the individual stores and facilitates regional inventory and accounting controls.

In our retail stores, we maintain an inventory of certain fast-moving items and products that the customer is likely to carry out of the store. Our computer system and the use of scanning technology in our distribution centers allow us to determine, on a real-time basis, the location of any product we sell. If we do not have a product at the desired retail store at the time of sale, we can typically provide it through one of our distribution centers on a next day basis.

We primarily use third-party providers to move products from distribution centers to stores and between markets to meet customer needs. We outsource our in-home deliveries to third-party providers and, for most purchases, we offer next day delivery to our customers. These third-party providers use a fleet of home delivery vehicles that enables a highly trained staff of delivery and installation specialists to quickly complete the sales process and provide a high-quality customer experience. We also may receive a delivery fee based on the products sold and the services needed to complete the delivery.

Product Support Services

Next-day delivery and installation. We provide next-day delivery and installation services in most of the markets in which we operate. We believe next-day delivery of our goods is a highly valued service to our customers.

Credit insurance. Acting as licensed agents for third-party insurance companies, we offer property, life, disability and involuntary unemployment credit insurance, which we collectively refer to as credit insurance, at all of our stores on sales financed through our in-house credit programs. These insurance products protect the customer’s purchase by covering their payments on their credit account if covered events occur. Property insurance purchased through us can be canceled at any time with proof of alternative coverage. We receive sales commissions from the third-party insurance companies at the time we sell the coverage, and we may receive retrospective commissions, which are additional commissions paid by the insurance carrier if insurance claims are less than earned premiums.

We require proof of property insurance on all purchases financed through our in-house credit offerings; however, we do not require that customers purchase this insurance from us if they have or acquire such insurance from another third-party provider. Premiums charged on the credit products we sell are regulated and vary by state.

Product repair service. We believe that providing product repair and replacement services is an important differentiation and reinforces customer loyalty. We provide in-home and shop repair services for most of the products we sell and primarily service products purchased from us. Customer repair needs are primarily serviced with an employee-based technician workforce. We believe this staffing model allows us to control the post-sale customer service experience.

Repair service agreements. Customers may purchase repair service agreements that we sell for third-party insurers at the time a product is purchased. These agreements broaden and extend the period of covered manufacturer warranty service for up to four years from the date of purchase, depending on the product, and protect the customer against repair costs. Customers may finance the cost of the agreements along with the purchase price of the associated product.

We have contracts with third-party insurers that issue the initial repair service agreements to cover the costs of repairs performed under these agreements. The initial service agreement is between the customer and the third-party insurance company, and, through our agreements with the third-party insurance company, we provide service when it is needed under each agreement sold. We receive a commission on the sale of the contract and we may receive retrospective commissions, which are additional commissions

paid by the insurance carrier over time if the cost of repair claims are less than earned premiums. Additionally, we bill the insurance company for the cost of the service work that we perform.

Employees

As of January 31, 2020, we had approximately 4,200 full-time employees and 225 part-time employees. We offer a comprehensive benefits package for eligible employees, including health, life, short- and long-term disability, and dental insurance coverage as well as a 401(k) plan, employee stock purchase plan, paid vacation and holiday pay. None of our employees are subject to collective bargaining agreements governing their employment with us, and we believe that our employee relations are good. We have a formal dispute resolution plan that requires mandatory arbitration for employment-related issues.

Regulation

The extension of credit to consumers is a highly regulated area of our business. Numerous federal and state laws impose disclosure and other requirements and limitations on the origination, servicing and enforcement of retail installment sale accounts and consumer loans as well as our acts and practices in connection with these activities. Applicable federal laws include, but are not limited to, the Truth in Lending Act (“TILA”), the Equal Credit Opportunity Act (“ECOA”), the Fair Credit Reporting Act (“FCRA”), the Fair Debt Collection Practices Act (“FDCPA”), the Telephone Consumer Protection Act (“TCPA”), the Gramm-Leach-Bliley Act (“GLBA”), the Electronic Fund Transfer Act (“EFTA”), the Military Lending Act (“MLA”), the Servicemembers Civil Relief Act (“SCRA”) and the implementing regulations of the foregoing statutes. The Federal Trade Commission (“FTC”) has broad consumer protection enforcement authority under Section 5 of the Federal Trade Commission Act (“FTCA”), which prohibits “unfair or deceptive acts or practices in or affecting commerce.” The FTC also can enforce specific consumer protection statutes, such as the ECOA, FCRA, FDCPA, TCPA, GLBA, EFTA, MLA, SCRA and TILA, and has authority to issue regulations in respect of certain of these.

The Consumer Financial Protection Bureau (“CFPB”) was created in 2010 upon the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”). The CFPB has rulemaking and enforcement authority over nonbanks engaging in offering or providing a consumer financial product or service (such as extending credit and servicing loans) as well as any affiliate of such “covered person” that acts as a “service provider” to such covered person. The federal consumer financial laws over which the CFPB has enforcement and rulemaking authority include TILA, ECOA, FCRA, FDCPA, and GLBA as well as authority under Title X of the Dodd-Frank Act to prohibit “unfair, deceptive or abusive acts or practices” (“UDAAP”) in connection with consumer financial products and services. The scope of UDAAP is broad and often uncertain, but the CFPB has been active in enforcing UDAAP claims. The CFPB has broad power to impose civil monetary penalties, restitution, and other corrective action under the various laws described above and, for this reason, poses a significant regulatory risk to the origination, servicing, and collection of our retail installment contracts and consumer loans.

In addition to its rulemaking and enforcement authority described in the preceding paragraph, the CFPB also has supervisory and examination authority over mortgage lending, payday lending, and private student lending, as well as “larger participants” in other markets for consumer financial products or services (including debt collection), and any covered person if the CFPB has “reasonable cause to determine” that such covered person is engaging, or has engaged, in conduct that poses risks to consumers with regard to the offering or provision of consumer financial products or services, whether based on consumer complaints or “information from other sources.” Although we are not automatically subject to CFPB supervisory or examination authority based on the foregoing categories, the CFPB has authority to investigate and take enforcement action against us with respect to any alleged violation by us of a federal consumer financial law over which the CFPB has jurisdiction, including the prohibition on UDAAP. The mere receipt by us of a “civil investigative demand” from the CFPB requiring production of documents, written responses, reports or oral testimony could result in required public disclosure, adverse publicity, and substantial cost to us regardless of the outcome.

Regulatory rulemaking by the CFPB could adversely affect origination, servicing, and collection of our retail installment sale and consumer loan products by making it more difficult and costly for us to offer, service or collect these products. In addition, CFPB rulemaking could make it possible, or easier for our customers to bring class action claims against us, or prohibit or limit the use of arbitration clauses and class action waivers, both of which we include in our installment contracts and loan agreements.

In Texas, Oklahoma, Louisiana and Tennessee, Conn Credit Corporation, Inc., an affiliate of Conn Appliances, Inc., offers a consumer loan product to our customers. In conjunction with our direct loan program, Conn Credit Corporation, Inc., Conn Appliances, Inc., and Conn Credit I, LP, each hold consumer lender licenses as required by their respective state laws. For customers of most stores located outside of Texas, Oklahoma, Louisiana, and Tennessee, Conn Appliances, Inc. offers a retail installment sale contract.

State laws impose disclosure and other requirements and limitations on retail installment sale contracts and consumer loan agreements and impose maximum amounts of finance charges and interest, as well as regulation of other fees and charges, together with restrictions on credit terms, collection and enforcement and other aspects of extending and collecting consumer credit. State consumer finance laws vary from state to state. The originating and servicing of consumer loans typically requires state licensing

which entails heightened supervision, examination, and other requirements which may not be applicable to retail sellers extending credit under retail installment sale contracts. Pursuant to the Dodd-Frank Act, state attorneys general and designated state consumer finance regulatory agencies may enforce specified federal consumer finance laws and impose penalties and remedies for their violation. We routinely review our contracts and procedures to ensure compliance with applicable consumer credit laws. Failure on our part to comply with applicable laws could expose us to consumer litigation and government enforcement action, possibly resulting in substantial penalties and claims for damages and, in certain circumstances, may subject us to injunctions, require us to refund finance charges already paid, forgo finance charges not yet paid under credit accounts, change our credit extension, servicing, collection, and marketing practices or a combination of the foregoing. We believe that we are in substantial compliance with all applicable federal and state consumer credit and collection laws.

Our sale of credit insurance products, insured by an unaffiliated third-party insurance provider, that include property, life, disability and involuntary unemployment credit insurance is also highly regulated. These products are only offered with a retail installment sales or loan contract agreement purchase. State laws currently impose disclosure obligations and other restrictions with respect to our sales of these products, impose limitations on the amount of premiums that we may charge and require licensing of certain of our employees and operating entities. State laws with respect to these products vary from state to state. Failure to comply with these laws could expose us to consumer litigation and government enforcement action, possibly resulting in substantial penalties and claims for damages, and in certain circumstances, may subject us to injunctions or require us to refund premiums or change our policies and procedures with respect to these products and the marketing of these products or a combination of the foregoing. We believe that we are in substantial compliance with all applicable federal and state consumer credit and collection laws.

In conjunction with the sale of merchandise, we offer our customers the opportunity to purchase repair service agreements on specified products. These contracts are entered into between the customer and an unaffiliated third-party service provider. The contracts enable the customer to obtain repair and/or replacement of certain eligible products in the event of specified failures as described in the terms and conditions of the contract. The service provider, which is financially and legally obligated to perform under these contracts, has entered into a contract with our affiliate to administer the contracts. We post descriptions of these contracts and links to the contract terms on our website. Service contracts require payment of a segregated fee which may be paid by cash, check or financed by customers entering into retail installment sale contracts with Conn Appliances, Inc. or loan agreements with Conn Credit Corporation, Inc. The federal Magnusson-Moss Warranty Act governs written warranties and service contracts. For service contracts entered into with Texas customers, state law requires registration of the service provider and Conn Appliances, Inc. as an administrator, a reimbursement insurance policy and other requirements on the service provider, responsibilities on service contract sellers, record-keeping requirements, restrictions on the sale or marketing of service contracts, required contract terms and disclosures, and cancellation requirements, among other requirements and prohibitions. Other states vary in their regulation of these contracts. Violation of these laws can result in injunctive relief, civil penalties, and/or other remedies. We believe that we are in substantial compliance with all applicable federal and state consumer credit and collection laws.

Tradenames and Trademarks

We have registered the trademarks “Conn’s,” “Conn’s HomePlus,” “YE$ YOU’RE APPROVED,” “YES Money,” “YE$ Money,” “YES Lease,” “YE$ Lease,” and our logos, which are protected under applicable intellectual property laws and are the property of Conn’s, Inc. Our trademark registrations generally last for ten-year periods and are renewed prior to expiration for additional ten-year periods.

Available Information

We are subject to reporting requirements of the Securities and Exchange Act of 1934, as amended (“Exchange Act”), and the rules and regulations promulgated thereunder. The Exchange Act requires us to file reports, proxy and other information statements and other information with the SEC. You may also obtain these materials electronically by accessing the SEC’s website at www.sec.gov.

The Board of Directors of the Company (“Board of Directors”) has adopted a code of business conduct and ethics for our employees, code of ethics for our Chief Executive Officer and senior financial professionals and a code of business conduct and ethics for our Board of Directors. A copy of these codes are published on our website at www.conns.com under “Investor Relations — Corporate Governance.” We intend to make all required disclosures concerning any amendments to, or waivers from, these codes on our website. In addition, we make available, free of charge on our website, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file this material with, or furnish it to, the SEC. You may review these documents, under the heading “Investor Relations — SEC Filings,” by accessing our website at www.conns.com.

We make available on our website at www.conns.com under “Investor Relations — Asset Backed Securities” updated monthly reports to the holders of our asset-backed notes. This information reflects the performance of the securitized portfolio only, in contrast to the financial statements contained herein, which reflect the performance of all of the Company’s outstanding receivables, including those originated subsequent to those included in the securitized portfolio.

Our website and the information contained on our website is not incorporated in this Annual Report on Form 10-K or any other document filed with the SEC.

ITEM 1A. RISK FACTORS.

You should consider carefully the risks described below and other information presented in this Form 10-K, including Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes included in this Form 10-K, as well as information provided in other reports, registration statements and materials that we file with the SEC and the other information incorporated by reference in this Form 10-K. If any of the risks described below or elsewhere in this Form 10-K were to materialize, our business, financial condition, results of operations, cash flows or prospects could be materially adversely affected. In such case, the trading price of our common stock could decline and you could lose part or all of your investment. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also adversely affect our business, financial condition, results of operations, cash flows, prospects or stock price, which we refer to collectively as a material adverse effect on us (or comparable phrases).

The COVID-19 outbreak in the United States is causing, and other pandemics, epidemics or outbreaks may cause, effects which may materially and adversely affect our business, results of operations and financial condition. In response to the COVID-19 outbreak in the United States, extraordinary store closure and stay-at-home orders have reduced customer traffic and led to a temporary reduction in operating hours in our stores and a limited number of temporary store closures. Due to the uncertainty around the COVID-19 outbreak, we are not currently able to assess the timing of a resumption of normal stores hours or the timing of reopening any existing stores that may be forced to close. Furthermore, the COVID-19 outbreak may impact the number and timing of new store openings. These events are disrupting our business and operations, and the full scale and scope of their effect is currently uncertain and not possible to reasonably predict at this time.

In addition, the significant economic disruption caused by the outbreak could have an adverse effect on our credit segment if, for example, customers are unable to make timely payments on their accounts due to job loss, reduction of hours or furlough.

As the COVID-19 pandemic continues to unfold, or if other widespread epidemics, pandemics, or outbreaks were to occur, particularly if any such epidemic, pandemic or outbreak were to affect regions where we derive a significant amount of our revenue or profit or where our suppliers are located (as with the COVID-19 pandemic), governmental and public responses could materially and adversely disrupt our business and operations, and our business and results of operations may be materially and adversely affected.

For example, our operations could be disrupted if any of our employees were suspected of having such an illness since this could require us to quarantine some or all such employees or others or disinfect our stores.

Also, such diseases are often transmitted through human contact, and even without governmental orders prohibiting public gatherings, the risk of contracting diseases could cause employees or customers to avoid gathering in public places, which could adversely affect store traffic or the ability to adequately staff stores. We could also be materially and adversely affected if government authorities impose (or, in the case of the current pandemic, expand) mandatory closures, seek voluntary closures, impose restrictions (or additional restrictions) on operations of retailers, or restrict the import or export of products, or if suppliers issue mass recalls of products. Even if such measures are not implemented and an outbreak of virus or other disease does not spread significantly, the perceived risk of infection or health risk may adversely affect our business, results of operations and financial condition.

An economic downturn, outbreaks, including the COVID-19 outbreak, or other events may affect consumer purchases from us as well as their ability to repay their credit obligations to us, which could result in a material adverse effect on us. Many factors affect consumer spending, including regional or world events, war, diseases, outbreaks or epidemics (including the ongoing COVID-19 crisis), conditions in financial markets, local, state and national budgets and fiscal operations and conditions, general business conditions, interest rates, inflation, energy prices, consumer debt levels, the availability of consumer credit, taxation, unemployment trends and other matters that influence consumer confidence. Consumer purchases of our products and customers making payments to us decline during periods when disposable income is lower or periods of actual or perceived unfavorable economic conditions. Decreases in consumer confidence, instability in financial markets and political environment and volatile oil prices have negatively impacted our markets and may present significant challenges to our operations in the future. Additionally, we believe a portion of our customer base continues to experience significant economic challenges and uncertainty, including stagnant incomes or incomes that have not returned to pre-recession levels, and that those challenges could be intensified by various macroeconomic factors, including increasing inflationary pressures and significant recent disruption in financial markets in connection with the COVID-19 outbreak, increased unemployment, dramatic price swings in the cost of energy, and other factors.

We may not be able to open or profitably operate new stores in existing, adjacent or new geographic markets. There are a number of factors that could affect our ability to successfully execute our store growth strategy, including:

- The impact of the COVID-19 outbreak;

- Difficulties associated with the hiring, training and retention of skilled personnel, including store managers;
- The availability of financial resources;
- The availability of favorable sites in existing, adjacent or new markets on terms, including price, consistent with our business plan;
- Competition in existing, adjacent or new markets;
- Competitive conditions, consumer tastes and discretionary spending patterns in adjacent or new markets that are different from those in our existing markets or changes in competitive conditions, consumer tastes and discretionary spending patterns in our existing markets;
- A lack of consumer demand for our products or financing programs at levels that can support store growth or the profitability of existing stores;
- Inability to make customer financing programs available that allow consumers to purchase products at levels that can support store growth;
- An inability to manage a greater number of new customers from new stores;
- Limitations created by covenants and conditions under our debt agreements, including our Revolving Credit Facility, the indenture governing our senior notes and our asset-backed notes;
- An inability or unwillingness of vendors to supply product on a timely basis or at competitive prices;
- An inability to secure consumer lending licenses in new or adjacent states or markets;
- The failure to open enough stores in new markets to achieve a sufficient market presence and realize the benefits of leveraging our advertising and distribution systems;
- Unfamiliarity with local real estate markets and demographics in adjacent and new markets;
- Problems in adapting our distribution and other operational and management systems to an expanded network of stores; and
- Higher costs for direct mail, television, newspaper, digital, radio and out-of-home targeted advertising.

These and other similar factors may also limit the ability of any newly opened stores to achieve sales and profitability levels consistent with our projections or comparable with our existing stores or to become profitable at all. As a result, we may determine that we need to close or reduce the hours of operation of certain stores, which could have a material adverse effect on us.

We have identified a material weakness in our internal controls over financial reporting related to information technology general controls ("ITGCs") which, if not remediated appropriately or timely, could result in a loss of investor confidence, result in material misstatements in our financial statements, and adversely affect our stock price. Internal controls related to our information technology systems are critical to maintaining adequate internal controls that provide reasonable assurance with respect to our financial reports. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As disclosed in Part II, Item 9A, Controls and Procedures, of this Annual Report on Form 10-K, management identified a material weakness in internal controls related to ITGCs in the areas of user access and program change management related to the implementation of certain new financially significant applications that, when viewed in combination, aggregated to a material weakness. As a result, management concluded that our internal control over ITGCs was not effective as of January 31, 2020. As described in Part II, Item 9A, Controls and Procedures, of this Annual Report on Form 10-K, we are implementing remedial measures that we believe will effectively remedy the material weakness, including expanding the management and governance over our information technology system controls, implementing enhanced process controls around internal user access management (including provisioning, removal, and periodic review), and further restricting privileged access and improving segregation of duties within information technology environments based on roles and responsibilities. While there can be no assurance that our efforts will be successful, we plan to remediate the material weakness as early as practicable in fiscal year 2021. If we are unable to remediate the material weakness timely and sufficiently, or are otherwise unable to maintain effective internal controls over financial reporting, we could be required to restate future financial results, which could materially and adversely affect our business, results of operations and financial condition, require us to expend significant resources to correct the deficiencies, impair our access to capital, subject us to fines, penalties or judgments, harm our reputation, negatively affect investor confidence and adversely affect our stock price.

The restatement of our condensed consolidated statements of income for the three-month period ended October 31, 2019 may lead to additional risks and uncertainties, including loss of investor and counterparty confidence and negative impacts on our stock price. We have restated our condensed consolidated interim financial statements for the three and nine month periods ended

October 31, 2019 to correct accounting errors in our calculation and reporting of finance charges and other revenues and provision for bad debts resulting from an error in our allowance for bad debts and uncollectible interest related to the implementation of the Company's new loan management system. For a discussion of the accounting errors identified and the impacts of the restatement, please see Part II, Item 8., in Note 17. *Quarterly Information (Unaudited)* of the Consolidated Financial Statements of this Annual Report on Form 10-K.

In connection with this restatement, we have also identified a material weakness in our internal control over financial reporting and our management has concluded that our internal control over financial reporting and disclosure controls and procedures were not effective as of January 31, 2020. For a description of the material weakness and our planned remediation, please see Part II, Item 9A., *Controls and Procedures*, of this Annual Report on Form 10-K.

As a result of the restatement, we may become subject to a number of additional costs and risks, including unanticipated costs in connection with or related to the restatement and the remediation of our disclosure controls and procedures and material weakness in internal control over financial reporting. In addition, the attention of our management team may be diverted by these efforts. We could be subject in the future to legal or regulatory proceedings in connection with the restatement. Any such future proceedings will, regardless of the outcome, consume management's time and attention and may result in additional legal, accounting, insurance and other costs. In addition, the restatement and related matters could impair our reputation and could cause our counterparties to lose confidence in us. Each of these occurrences could have an adverse effect on our business, results of operations, financial condition and stock price.

If we are unable to effectively manage the growth of our business, our revenues may not increase, our cost of operations may rise and our results of operations may decline. As we continue to implement a growth plan and expand our store base, we will face various business risks associated with growth, including the risk that our management, financial controls and information systems will be inadequate to support our expansion. Our growth will require management to expend significant time, effort, and additional resources to ensure the continuing adequacy of our financial controls, operating procedures, information systems, product purchasing, warehousing and distribution systems and employee training programs. While we have engaged in and focused on these elements, we cannot predict whether we will be able to effectively manage the increased demand resulting from expansion in current markets or into new markets, or respond on a timely basis to the changing demands that our expansion will impose on our management, financial controls and information systems. If we fail to successfully manage the challenges of growth, do not continue to improve our systems and controls or encounter unexpected difficulties during expansion, our growth plan may not yield the results we currently anticipate and we could be materially adversely affected.

We may expand our retail or credit offerings and become subject to different operating, regulatory or legal requirements. In addition to the retail and consumer finance products we currently offer, we may offer other products and services in the future, including new financing products and services. These products and services may require additional or different operating and compliance systems or have additional or different legal or regulatory requirements than the products and services we currently offer.

To the extent we undertake expansion into additional states that allow for direct consumer lending, and do not have the proper legal and regulatory compliance infrastructure, consumer lending licenses or personnel, or otherwise do not successfully execute such an expansion, or our customers do not positively respond to such an expansion, it could have a material adverse effect on us.

We have plans for significant future capital needs and the inability to access our Revolving Credit Facility or the capital markets on favorable terms or at all may have a material adverse effect on us. We generally finance our operations primarily through a combination of cash flow generated from operations, borrowings under our Revolving Credit Facility, and securitizations of customer receivables through the capital markets. Our ability to access capital through our existing Revolving Credit Facility, raise additional capital by expanding our Revolving Credit Facility, or undertake future securitization or other debt or equity transactions on economically favorable terms or at all, depends in large part on factors that are beyond our control, including:

- Conditions in the securities and finance markets generally, including as a result of the COVID19 outbreak, and for securitized instruments in particular;
- A negative bias toward our industry by capital market participants;
- Our credit rating or the credit rating of any securities we may issue;
- General economic conditions and the results of our earnings, cash flows and balance sheet;
- Security or collateral requirements;
- The credit quality and performance of our customer receivables;
- Regulatory restrictions applicable to us;
- Our overall business and industry prospects;

- Our overall sales performance, profitability, cash flow, balance sheet quality, regulatory restrictions;
- Our ability to provide or obtain financial support for required credit enhancement;
- Our ability to adequately service our financial instruments;
- Our ability to make required representations and warranties;
- Our ability to meet debt covenant requirements; and
- Prevailing interest rates.

The amount of our planned capital expenditures may be limited by, among other factors, the availability of capital to fund new store openings and customer receivable portfolio growth. If adequate capital is not available at the time we need it, we may have to curtail future growth or change our expansion plans, which could have a material adverse effect on us.

We use our customer receivables, in addition to our inventory, as collateral to support our capital needs. As the aggregate amount and performance of our customer receivables has fluctuated, from time to time we have required amendments to our credit facilities in order to stay in compliance with our obligations thereunder. If we require such amendments in the future and are unable to obtain them, or if we are unable to arrange substitute financing facilities or other sources of capital, then we may be unable to continue drawing funds under our Revolving Credit Facility, which would force us to limit or cease offering credit through our finance programs. Likewise, if the borrowing base under our Revolving Credit Facility is reduced, or otherwise becomes unavailable, or we are unable to arrange substitute financing facilities or other sources of capital, we may have to limit the amount of credit that we make available through our customer credit programs. A reduction in our ability to offer customer credit could have a material adverse effect on us. Further, our inability, or limitations on our ability, to obtain funding through securitization facilities or other sources may materially adversely affect our ability to provide additional credit to existing customers, which could have a material adverse effect on our profitability under our credit programs if such existing customers fail to repay outstanding credit. Additionally, the inability of any of the financial institutions providing our financing facilities to fund their respective commitments could materially adversely affect our ability to fund our credit programs, capital expenditures and other general corporate needs.

Our existing and future levels of indebtedness could adversely affect our financial health, ability to obtain financing in the future, ability to react to changes in our business and ability to fulfill our obligations under such indebtedness. As of January 31, 2020, we had aggregate outstanding indebtedness, including under our Revolving Credit Facility, senior notes and various classes of asset-backed notes, of $1.03 billion. This level of indebtedness could:

- Make it more difficult for us to satisfy our obligations with respect to our outstanding notes and other indebtedness, resulting in possible defaults on and acceleration of such indebtedness;
- Require us to dedicate a substantial portion of our cash flow from operations to the payment of principal and interest on our indebtedness, thereby reducing the availability of such cash flows to fund working capital, acquisitions, new store openings, capital expenditures and other general corporate purposes;
- Limit our ability to obtain additional financing for working capital, acquisitions, new store openings, capital expenditures, debt service requirements and other general corporate purposes;
- Limit our ability to refinance indebtedness or cause the associated costs of such refinancing to increase;
- Increase our vulnerability to general adverse economic and industry conditions, including interest rate fluctuations (because a portion of our borrowings are at variable rates of interest); and
- Place us at a competitive disadvantage compared to our competitors with proportionately less debt or comparable debt at more favorable interest rates which, as a result, may be better positioned to withstand economic downturns.

Any of the foregoing impacts of our level of indebtedness could have a material adverse effect on us.

Our debt securities may receive ratings that may increase our borrowing costs. We may elect to issue securities for which we may seek to obtain a rating from a rating agency. It is possible, however, that one or more rating agencies may independently determine to assign a rating to any of our issued debt securities. If any ratings are assigned to any of our debt, or the asset-backed notes or other securities with a rating, such ratings, if they are lower than market expectations or are subsequently lowered or withdrawn, whether as a result of our actions or factors which are beyond our control, could increase our future borrowing costs and impair our ability to access capital and credit markets on terms commercially acceptable to us, or at all. Inability to access the credit markets on acceptable terms, if at all, could have a material adverse effect on our financial condition.

We might not be able to access the securitization market for capital from time to time in the future, which may require us to seek alternative and more costly sources of financing. We have successfully consummated a number of securitization transactions, however, there can be no assurances that we will be able to complete additional securitization transactions if securitization markets become constrained. The economic recession that began in 2009 and events in the securitization markets, as well as the debt markets and the economy generally, caused significant dislocations, lack of liquidity in the market for asset-backed securities, and a severe disruption in the wider global financial markets, including a significant reduction of investor demand for, and purchases of, asset-backed securities and structured financial products. Additional or prolonged disruptions in the securitization market, such as a recession triggered by the effects of the current COVID-19 crisis, could preclude our ability to use securitization as a financing source, or could render it an inefficient source of financing making us more dependent on alternative sourcing of financing that might not be as favorable as securitizations or might be otherwise unfavorable or unavailable altogether.

Securitization structures are subject to an evolving regulatory environment that may affect the availability and attractiveness of securitization as a financing option. In the U.S., following the economic recession that began in 2009, there has been increased political and regulatory scrutiny of the asset-backed securities industry, which has resulted in increased regulation. The impact of such regulations on investors in securitization markets and the incentives for certain investors to hold asset-backed securities remain unclear, and may have a material adverse effect on the liquidity of such securities, which could have a material adverse effect on our liquidity. Additionally, rules from various agencies now require sponsors of asset-backed securities to retain an ownership stake in securitization transactions. Any adverse changes to these regulations could effectively limit our access to securitization as a source of financing or alter the structure of securitizations, which could pose risks to our participation in any securitizations or could reduce or eliminate the economic incentives to us of participating in securitizations.

One of our operating subsidiaries may be required to repurchase certain finance receivables if representations and warranties about the quality and nature of such receivables are breached, which may negatively impact our results of operations, financial condition, and liquidity. We have entered into certain financing arrangements, including issuances of asset-backed notes and a warehouse financing facility (collectively, “Financing Transactions”), that are secured by retail installment contracts and direct consumer loans originated by our operating subsidiaries (the “Receivables”). In connection with the Financing Transactions, our operating subsidiaries sold the Receivables to certain of our wholly-owned special purpose VIEs and made certain representations and warranties about the quality and nature of the Receivables.

If there is a breach of those representations and warranties, one of our operating subsidiaries may be obligated to repurchase the affected Receivables. If our operating subsidiary is required to repurchase Receivables that were previously sold in connection with the Financing Transactions, this could have a materially adverse impact on our results of operations, financial condition, and liquidity.

A decrease in our credit sales, a decline in credit quality of our customers or other factors outside of our control could lead to a decrease in our product sales and profitability. A significant portion of our credit portfolio is comprised of credit provided to customers considered to be sub-prime borrowers who have limited credit history, low income or past credit problems. Entering into credit arrangements with such customers entails a higher risk of customer default, higher delinquency rates and higher losses than extending credit to more creditworthy customers. While we believe that our pricing and the underwriting criteria and collection methods we employ enable us to effectively and appropriately manage the higher risks inherent in issuing credit to sub-prime customers, no assurance can be given that such pricing and underwriting criteria and methods will afford adequate protection against such risks. We have experienced volatility in delinquency and charge-off rates on our customer receivables, each of which has the effect of decreasing our profitability. Some of our customer receivables become delinquent from time to time. Some accounts end up in default, due to various factors, such as general and local economic conditions, including the impact of rising interest rates, living costs and unemployment rates. As we continue to expand into new markets, we will obtain new customer receivables that may present a higher risk than our existing customer receivables since new customer receivables do not have an established credit history with us.

If we are required to reduce the amount of credit we grant to our customers (whether due to financial or regulatory constraints), or if our customers curtail entering into credit arrangements with us, whether as a result of prolonged economic uncertainty in the U.S., increases in unemployment or other factors, we likely would sell fewer products, which could result in a material adverse effect on us. Further, because a significant number of payments we receive on credit accounts are made in person by customers in one of our store locations, any decrease in credit sales could reduce traffic in our stores and result in lower revenues. A decline in the credit quality of our credit accounts could also cause an increase in our credit losses, which would result in an adverse effect on our earnings. A decline in credit quality could also lead to stricter underwriting criteria which could have a negative impact on net sales.

We maintain an allowance for doubtful accounts on our customer accounts receivable. If the allowance for doubtful accounts is inadequate, we would recognize losses in excess of the allowance, which could have a material adverse effect on us.

Covenants in our debt agreements impose various operating and financial restrictions on us, and if we are not able to comply with such covenants, our lenders could accelerate our indebtedness, proceed against certain collateral we have provided or

exercise other remedies, which could have a material adverse effect on us. The covenants in our Revolving Credit Facility, the indenture governing our senior notes, and our asset-backed notes contain a number of restrictions that impose operating and financial restrictions on us and may limit our ability to execute our growth strategy or engage in acts that may be in our long-term best interest, including restrictions on our ability to incur additional indebtedness, grant liens on assets, make distributions on equity interests, dispose of assets, make loans, pay other indebtedness, engage in mergers, and other matters. In addition, we must maintain compliance with certain financial covenants. Our ability to meet those financial covenants can be affected by events beyond our control, and we may be unable to meet them.

A breach of the covenants could result in an event of default under our Revolving Credit Facility or the indenture governing our senior notes or our asset backed notes. Such a default may allow the applicable creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-default provision applies. Furthermore, if we are unable to repay the amounts due and payable under our Revolving Credit Facility, the lenders thereunder could proceed against the collateral granted to them to secure that indebtedness, which could have a material adverse effect on us. In the event our lenders accelerate the repayment of our borrowings, we may not have sufficient funds to repay that indebtedness.

Increased borrowing costs will negatively impact our results of operations. Because most of our consumer credit programs have interest rates equal to the highest rate allowable under applicable state law, we would generally not be able to pass higher borrowing costs along to future consumer credit customers and our results of operations could be negatively impacted. The interest rates on our Revolving Credit Facility are variable based upon an applicable margin determined by a pricing grid plus a London Interbank Offered Rate ("LIBOR") or alternate base rate, and increases in such rates would reduce our margins. The level of interest rates in the market in general will impact the interest rate on any debt instruments we issue in the future. Additionally, we may issue debt securities or enter into credit facilities under which we pay interest at a higher rate than we have historically paid, which would further reduce our earnings and negatively impact our results of operations.

Deterioration in the performance of our customer receivables portfolio could materially adversely affect our liquidity position and profitability. Our liquidity position and profitability are heavily dependent on our ability to collect our customer receivables. If the performance of our customer receivables portfolio were to substantially deteriorate, that could have a material adverse effect on the liquidity available to us and our ability to comply with the covenants and borrowing base calculations under our Revolving Credit Facility, and our earnings may decline due to higher provisions for bad debt expense, higher servicing costs, higher net charge-off rates and lower interest and fee income.

Our ability to collect from credit customers may be impaired by store closings. In the event of store closings, such as those ordered in certain regions due to the COVID-19 outbreak, credit customers may not pay balances in a timely fashion, or may not pay at all, since a large number of our customers remit payments in store and have not traditionally made payments to a non-store location.

In deciding whether to extend credit to customers, we rely on the accuracy and completeness of information furnished to us by or on behalf of our credit customers, and we assume certain behavior and attributes on the basis of prior customers. If we and our systems are unable to detect any misrepresentations in this information, or if our assumptions prove inaccurate, it may have a material adverse effect on us. In deciding whether to extend credit to customers, we rely heavily on information furnished to us by or on behalf of our credit customers, including employment and personal financial information, and our ability to validate such information through third-party services. We also assume certain behavior and attributes observed for prior customers. Our ability to effectively manage our credit risk could be impaired, and could have a material adverse effect on us, if a significant percentage of our credit customers intentionally or negligently misrepresent any of this information, and our systems do not detect such misrepresentations, or if unexpected changes in behavior caused by macroeconomic conditions, changes in consumer preferences, availability of alternative products or other factors cause our assumptions to be inaccurate.

Our policy of re-aging certain delinquent borrowers affects our delinquency statistics and the timing and amount of our write-offs, and may lead to higher delinquency statistics in the future, which could have a material adverse effect on our financial results. Re-aging is offered to certain of our past-due customers if they meet the conditions of our re-age policy. Our decision to offer a delinquent customer a re-age program is based on that borrower's specific condition, our history with the borrower, the amount of the loan and various other factors. When we re-age a customer's account, we move the account from a delinquent status to a current status. Management exercises a considerable amount of discretion over the re-aging process and has the ability to re-age an account multiple times during its life. Treating an otherwise uncollectible account as current affects our delinquency statistics, as well as impacts the timing and amount of charge-offs and, potentially, our future financial results. If these accounts had been charged off sooner, our net loss rates for earlier periods might have been higher. If the customer defaults on the re-aged account, our re-aging may have simply postponed a delinquency, and our future delinquency statistics will be correspondingly higher.

If we fail to properly staff and train our collections personnel or timely contact delinquent borrowers, the number of delinquent customer receivables eventually being charged off could increase. We contact customers with delinquent credit account balances soon after the account becomes delinquent. During periods of increased delinquencies, it is important that we are proactive in dealing with customers rather than simply allowing customer receivables to go to charge-off. Historically, when our servicing

becomes involved at an earlier stage of delinquency with credit counseling and workout programs, there is a greater likelihood that the customer receivable will not be charged off.

The success of our collection efforts depends on our collection center being properly staffed and our staff being properly trained to assist borrowers in bringing delinquent balances current and ultimately avoiding charge-off. If we do not properly staff and train our collections personnel, or if we incur any downtime or other issues with our information systems that assist us with our collection efforts, then the number of accounts in a delinquent status or charged-off could increase. In addition, managing a substantially higher volume of delinquent customer receivables typically increases our operational costs. A rise in delinquencies or charge-offs could result in a material adverse effect on us.

We rely on internal models to manage risk and to provide accounting estimates. We could suffer a material adverse effect if those models do not provide reliable accounting estimates or predictions of future activity. We make significant use of business and financial models in connection with our efforts to measure and monitor our risk exposures and to manage our credit portfolio. For example, we use models as a basis for credit underwriting decisions, portfolio delinquency, charge-off and collection expectations and other market risks, based on economic factors and our experience. The information provided by these models is used in making business decisions relating to strategies, initiatives, transactions and pricing, as well as the size of our allowance for doubtful accounts, among other accounting estimates.

Models are inherently imperfect predictors of actual results because they are based on current and historical data available to us and our assumptions about factors such as credit demand, payment rates, default rates, delinquency rates and other factors that may overstate or understate future experience. Our models could produce unreliable results for a number of reasons, including the limitations of historical data to predict results due to unprecedented or unforeseen events or circumstances, invalid or incorrect assumptions underlying the models, the need for manual adjustments in response to rapid changes in economic conditions, changes in credit policies, incorrect coding of the models, incorrect data being used by the models or inappropriate application of a model to products or events outside of the model's intended use. In particular, models are less dependable when the prevailing economic environment is different than historical experience.

In addition, we continually receive new economic data. Our critical accounting estimates, such as the size of our allowance for doubtful accounts, are subject to change, often significantly, due to the nature and magnitude of changes in economic conditions. However, there is generally a lag between the availability of this economic information and the preparation of corresponding internal models. When economic conditions change quickly or in unforeseen ways, there is increased risk that the assumptions and inputs reflected in our models are not representative of current economic conditions.

Changes in the economy, credit policies and practices, and the credit and capital markets have required, and will continue to require, frequent adjustments to our models and the application of greater management judgment in the interpretation and adjustment of the results produced by our models, including in connection with recent market uncertainty driven by the COVID-19 pandemic and other matters. This will be of particular importance when we adopt ASU 2016-13 (CECL) in fiscal year 2021, as the CECL models rely upon certain economy based estimates. The application of greater management judgment reflects the need to take into account updated information while continuing to maintain controlled processes for model updates, including model development, testing, independent validation and implementation. As a result of the time and resources, including technical and staffing resources, that are required to perform these processes effectively, it may not be possible to replace existing models quickly enough to ensure that they will always properly account for the impacts of recent information and actions.

If circumstances prove our models to be undependable or not representative of our results, then we may deem it necessary to increase our allowance for doubtful accounts in the future. If our actual charge-offs exceed the assumption used to establish the allowance, our provision for losses would increase and could result in a material adverse effect on us.

We benefit from the collection of customer and non-customer recoveries on our customer accounts receivables. Our inability to continue to collect these recoveries could adversely affect our financial results. Once an account is charged-off, we continue to pursue collections from various recovery sources, including the customer, various state taxing jurisdictions in which sales tax was remitted and our third party insurance and warranty carriers that sold insurance and warranty products. If we are unable to continue to pursue our collections efforts as a result of operational, legislative, contractual or other changes, our financial results could be adversely affected.

Our reported results require the judgment of management, and we could be subject to risks associated with these judgments or could be adversely affected by the implementation of new, or changes in the interpretation of existing, accounting principles or financial reporting requirements. The preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. In addition, we prepare our financial statements in accordance with generally accepted accounting principles ("GAAP"), and GAAP and its interpretations are subject to change over time. If new rules, different judgments, or interpretations of existing rules require us to change our financial reporting, our results of operations and financial condition could be materially adversely affected, and we could be required to restate historical financial reporting.

Some of our customers may be recent immigrants and some may not be US citizens. Further, statements from our nation's capital regarding immigration policies that affect states that share a border with Mexico may negatively impact our retail sales. We follow customer identification procedures including accepting government-issued picture identification, but we do not verify the immigration status of our customers. If we or the retail credit offering sector receive negative publicity around making loans to potentially undocumented immigrants, it may draw additional attention from regulatory agencies or advocacy groups, which may harm our sales and collections results. While our credit models look to approve customers who have stability of residency and employment, it is possible that a significant change in immigration patterns, policies or enforcement could cause our customers to reduce their business with us, or not engage in business transactions with us, and cause a reduction in sales or an increase in account delinquencies. Further, continued political statements coming from our nation's capital regarding immigration policies that affect states that share a border with Mexico may continue to create sales challenges and to negatively impact our retail sales in stores along the Mexican border. There is no assurance that a significant change in US immigration patterns, laws, regulations or enforcement will not occur, and any such significant change could have a material adverse impact on us.

If we lose key management or are unable to attract and retain the qualified sales and credit granting and collection personnel required for our business, our operating results could suffer. Our success depends to a significant degree on the skills, experience and continued service of our key executives and the identification of suitable successors for them. While our key executives are subject to non-competition restrictions and other negative contractual covenants, if we lose the services of any of these individuals and we are unable to identify a suitable successor, or if one or more of them or other key personnel decide to join a competitor or otherwise compete directly or indirectly with us, our business and operations could be harmed, and we could have difficulty in implementing our strategy. In addition, our sales and credit operations are largely dependent upon our labor force. As our business grows, and as we incur turnover in current positions, we will need to locate, hire and retain additional qualified sales personnel in a timely manner and develop, train and manage an increasing number of management level sales associates and other employees. Additionally, if we are unable to attract and retain qualified credit granting and collection personnel, our ability to perform quality underwriting of new credit transactions and maintain workloads for our collections personnel at a manageable level could be materially adversely affected, and our operations could be materially adversely impacted, resulting in higher delinquency and net charge-offs on our credit portfolio. Competition for qualified employees could require us to pay higher wages, and increases in the federal, state or local minimum wage or other employee benefits costs could increase our operating expenses. If we are unable to attract and retain personnel as needed in the future or our operating expenses increase, our net sales and operating results could suffer.

We depend on hiring an adequate number of hourly employees to run our business and are subject to government regulations concerning these and our other employees, including wage and hour regulations. Our workforce is comprised primarily of employees who work on an hourly basis. In certain markets where we operate, there is significant competition for hourly employees. The lack of availability of an adequate number of hourly employees or an increase in wages and benefits to current employees could have a material adverse effect on us. We are subject to applicable rules and regulations relating to our relationship with our employees, including wage and hour regulations, health and workers' compensation benefits, unemployment taxes, overtime and working conditions and immigration status. Accordingly, legislated increases in the federal, state or local minimum wage, as well as increases in additional labor cost components such as employee benefit costs, workers' compensation insurance rates, compliance costs and fines, would increase our labor costs, which could have a material adverse effect on us.

We face significant competition from national, regional, local and internet retailers of furniture and mattresses, home appliances, and consumer electronics. The retail market for consumer electronics, furniture and mattresses is highly fragmented and intensely competitive and the market for home appliances is concentrated among a few major dealers. We currently compete against a diverse group of retailers, including national mass merchants, specialized national retailers, home improvement stores, and locally-owned regional or independent retail specialty stores that sell furniture and mattresses, home appliances, and consumer electronics, similar, and often identical, to those items we sell. We also compete with retailers that market products using store catalogs and the internet. In addition, there are few barriers to entry into our current and contemplated markets, and new competitors may enter our current or future markets at any time. Additionally, we compete to some extent against companies offering weekly or monthly lease-to-own payment options to credit constrained consumers for products for the home similar to those offered by us.

We may not be able to compete successfully against existing and future competitors. Some of our competitors have financial resources that may be substantially greater than ours and they may be able to purchase inventory at lower costs and better endure economic downturns. If we cannot offer competitive prices to our customers, our sales may decline or we may be required to accept lower profit margins. Our competitors may respond more quickly to new or emerging technologies and may have greater resources to devote to promotion and sale of products and services. If two or more competitors consolidate their businesses or enter into strategic partnerships, they may be able to compete more effectively against us.

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

- Expansion by our existing competitors or entry by new competitors into markets where we currently operate;

- Lower pricing;
- Aggressive advertising and marketing;
- Extension of credit to customers on terms more favorable than we offer;
- Extension of credit options to customers with lower credit quality than qualifies for the credit programs we offer;
- Larger store size, or innovative store formats, which may result in greater operational efficiencies; and
- Adoption of improved retail sales methods.

Competition from any of these sources could cause us to lose market share, sales and customers, limit our ability to attract new customers, increase expenditures or reduce prices, any of which could have a material adverse effect on us.

Changes in customer demand and product mix could materially adversely affect our business. Our products must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to change. Our ability to maintain and increase sales depends to a large extent on the introduction and availability of new products and technologies and our ability to respond timely to customer demands and preferences for such new products. It is possible that the introduction of new products will never achieve widespread consumer acceptance or will be supplanted by alternative products and technologies that do not offer us a similar sales opportunity or are sold at lower price points or margins. We may be unable to anticipate these buying patterns, which could result in a material adverse effect on us. In addition, we often make commitments to purchase products from our vendors several months in advance of proposed delivery dates. Significant deviation from the projected demand for products that we sell could affect our inventory strategies, which may have an adverse effect on us, either from lost sales or lower margins due to the need to reduce prices to dispose of excess inventory.

Furthermore, due to our increasing emphasis on furniture and mattress offerings, we are building larger new stores and investing additional capital to expand existing stores to accommodate those offerings. If we are unable to execute on our furniture and mattress offering strategy, it could have a material adverse effect on us.

We may experience significant price pressures over the life cycle of our products from competing technologies and our competitors. Prices for many of our products decrease over their life cycle. Such decreases often result in decreased gross profit margins. Suppliers may also take various steps, including manufacturing lower-cost inventory in higher volumes, to increase their own profitability, which may negatively impact our margins and, as a result, our profitability. Typically, new products, such as OLED, QLED, 4K Ultra HD, 8K, smart televisions and internet-ready televisions are introduced at relatively high price points that are then gradually reduced as the product becomes mainstream. To sustain same store sales growth, unit sales must increase at a rate greater than the decline in product prices. The affordability of products helps drive unit sales growth. However, as a result of relatively short product life cycles in the consumer electronics industry, which limit the amount of time available for sales volume to increase, combined with rapid price erosion in the industry, retailers are challenged to maintain overall gross margin levels and positive same store sales. We continue to adjust our marketing strategies to address this challenge through the introduction of new product categories, new products within our existing categories and product innovations. If we fail to accurately anticipate the introduction of new technologies, we may possess significant amounts of obsolete inventory that can only be sold at substantially lower prices than we anticipated. In addition, we may not be able to maintain our historical margin levels in the future due to increased sales of lower margin products, such as personal electronics products, and declines in average selling prices of key products, such as consumer electronics and home appliances. If sales of lower margin items continue to increase and replace sales of higher margin items, or if our consumer electronics products average selling prices decrease due to the maturity of their life cycle, our gross margin and overall gross profit levels may be materially adversely affected.

A disruption in our relationships with, the operations of, or the supply of product from any of our key suppliers, including those suppliers and manufacturers located in Asia and Mexico, could have a material adverse effect on us. The success of our business and growth strategies depends to a significant degree on our relationships with our suppliers, particularly our brand name suppliers. We do not have long-term supply agreements or exclusive arrangements with a number of our vendors. We typically order our inventory through the issuance of individual purchase orders to vendors. We have limited contractual assurance of the continued supply of merchandise we currently, or would like to, offer our customers. We also rely on our suppliers for funds in the form of vendor allowances. We may be subject to rationing by suppliers with respect to a number of limited distribution items. In addition, while we purchase products from approximately 65 manufacturers and distributors, we rely heavily on a relatively small number of suppliers. For example, during fiscal year 2020, 85.7% of our total inventory purchases were from six vendors. The loss of any one or more of our key suppliers or failure to establish and maintain relationships with these and other vendors, and limitations on the availability of inventory or repair parts, could have a material adverse effect on our supply and assortment of products, as we may not be able to find suitable replacements to supply products at competitive prices, and on our results of operations and financial condition.

If one of our vendors were to go out of business or were to be unable to fund amounts due to us, including payments due for returns of product and warranty claims, it could have a material adverse effect on our results of operations and financial condition.

Catastrophic or other unforeseen events, including outbreaks such as COVID-19, whether inside or outside the U.S., could materially adversely impact the supply and delivery to us of products manufactured far from our sales facilities, including manufacturers or suppliers located in Asia and Mexico, which could materially adversely impact our results of operations. In addition, because many of the products we sell are manufactured outside of the U.S., we may experience labor unrest or an increase in the cost of imported vendor products, or an inability to secure imported merchandise, as a result of border taxes, tariffs, or trade disputes at any time for reasons beyond our control. Any slow-downs, disruptions or strikes at any of the ports may have a material adverse effect on our relationships with our customers and our business, potentially resulting in canceled orders by customers and reduced revenues and earnings. If imported merchandise becomes more expensive, unavailable or difficult to obtain, we may not be able to meet the demands of our customers. Products from alternative sources may also be more expensive than those our vendors currently import.

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

Furthermore, we rely on credit from vendors to purchase our products. A substantial change in credit terms from vendors or vendors' willingness to extend credit to us, including providing inventory under consignment arrangements, would reduce our ability to obtain the merchandise that we sell, which could have a material adverse effect on us. In addition, if our vendors fail to continue to offer vendor allowances, or we are restricted in our ability to earn such funds, our results of operations could be materially adversely affected.

Turmoil in financial markets and economic disruptions around the world may also negatively impact our suppliers' access to capital and liquidity with which to maintain their inventory, production levels, and product quality, and operate their businesses, all of which could materially adversely affect our supply chain. It may also cause them to change their pricing policies, which could adversely impact demand for their products. Economic disruptions and market instability may make it difficult for us and our suppliers to accurately forecast future product demand trends, which could cause us to carry too much or too little merchandise in various product categories. In addition, to the extent that any manufacturer utilizes labor practices that are not commonly accepted in the U.S., we could be materially adversely affected by any resulting negative publicity.

Our changes in same store sales fluctuate significantly. Our historical changes in same store sales have fluctuated significantly from quarter to quarter. A number of factors have historically affected, or may in the future affect, our same store sales, including:

- Changes in competition, such as pricing pressure, and the opening of new stores by competitors in our markets;
- General economic conditions;
- Economic challenges faced by our customer base;
- New product introductions;
- Changes in our marketing programs;
- Consumer trends;
- Changes in our merchandise mix;
- Changes in the relative sales price points of our major product categories;
- Underwriting standards for our customers purchasing merchandise on credit;
- Our ability to offer credit programs attractive to our customers;
- The impact of any new stores on our existing stores;
- Our ability to manage our supply chain and inventory as a result of relocations of and restructurings to our distribution centers;
- Weather events and conditions in our markets;
- COVID-19 and other outbreaks;
- Timing of promotional events;
- Timing, location and participants of major sporting events;
- The number of new store openings;
- The percentage of our stores that are mature stores that tend to be smaller or have fewer assortment of higher margin products, such as furniture;

- The locations of our stores and the traffic drawn to those areas;
- How often we update our stores;
- Our ability to execute our business strategy effectively;
- Staffing levels; and
- Lease-to-own penetration rates.
- Decreases in our same store sales negatively affect our results of operations.

Our business could be materially adversely affected by changes in consumer protection laws and regulations. Federal and state consumer protection laws, regulations and agencies, such as the FCRA and the CFPB, heavily regulate the way we conduct business and could limit the manner in which we may offer and extend credit and collect on our accounts. Because a substantial portion of our sales are financed through our credit offerings any adverse change in the regulation of consumer credit could have a material adverse effect on us.

New laws or regulations, or new interpretations of existing laws or regulations, could limit the amount of interest or fees that may be charged on consumer credit accounts, including by reducing the maximum interest rate that can be charged in the states in which we operate, or impose limitations on our ability to collect on account balances, which could have a material adverse effect on us. Compliance with existing and future laws or regulations, including regulations that may be applicable to us under the Dodd-Frank Act, could require the expenditure of substantial resources. Failure to comply with these laws or regulations, even if inadvertent, could result in negative publicity, fines or additional licensing expenses, any of which could result in a material adverse effect on us.

We have procedures and controls in place that we believe are reasonable to monitor compliance with the numerous federal and state laws and regulations and believe we are in compliance with such laws and regulations. However, these laws and regulations are complex, differ between jurisdictions and are often subject to interpretation. As we expand into additional jurisdictions and offer new credit products such as our direct consumer loans, the complexities grow. Compliance with these laws and regulations is expensive and requires the time and attention of management. If we do not successfully comply with laws, regulations, or policies, we could incur fines or penalties, lose existing or new customers, or suffer damage to our reputation. Changes in these laws and regulations can significantly alter our business environment, limit business operations, and increase costs of doing business, and we may not be able to predict the impact such changes would have on our profitability.

The CFPB may reshape the consumer financial laws and there continues to be uncertainty as to how the agency's actions will impact our business. The Dodd-Frank Act comprehensively overhauled the financial services industry within the U.S. and established the CFPB. The CFPB has enforcement and rulemaking authority under certain federal consumer financial laws, including, but not limited to, the TILA, ECOA, FCRA, FDCPA, and GLBA. This means, for example, that the CFPB has the ability to adopt rules that interpret provisions of the FDCPA, potentially affecting all facets of debt collection. In addition, the CFPB has issued guidance in the form of bulletins on debt collection and credit furnishing activities generally, including bulletins that address furnisher requirements and the application of the CFPB's prohibition on "unfair, deceptive, or abusive" acts or practices with respect to debt collection.

In addition, the CFPB maintains an online complaint system that allows consumers to log complaints with respect to the products we offer. The system could inform future agency decisions with respect to regulatory, enforcement, or examination focus. The CFPB is authorized to collect fines and provide consumer restitution in the event of violations of certain consumer financial service laws, engage in consumer financial education, request data, and promote the availability of financial services to under-served consumers and communities. There continues to be uncertainty as to how, or if, the CFPB and its strategies and priorities will impact our businesses and our results of operations going forward and could result in new regulatory requirements and regulatory costs for us.

Although we have committed substantial resources to enhancing our compliance programs, changes in regulatory expectations, interpretations or practices could increase the risk of enforcement actions, fines and penalties. Actions by the CFPB, FTC and various state agencies could result in requirements to alter our products and services that would make our products less attractive to consumers or impair our ability to offer them profitably. Future actions by regulators that discourage the use of products we offer or steer consumers to other products or services could result in reputational harm and a loss of customers. Should the CFPB, FTC and various state agencies change regulations adopted in the past by other regulators, or modify past regulatory guidance, our compliance costs and litigation exposure could increase. This additional focus and regulatory oversight could significantly increase operating costs.

Judicial or administrative decisions, CFPB rule-making or amendments to the Federal Arbitration Act could render the arbitration agreements we use illegal or unenforceable. Dispute arbitration provisions are commonplace in our customer credit arrangements. These provisions are designed to allow us to resolve customer disputes through individual arbitration rather than in court. Our arbitration provisions explicitly provide that all arbitrations will be conducted on an individual and not on a class

basis. In the past, various courts and administrative authorities have concluded that arbitration agreements with class action waivers are unenforceable, particularly where a small dollar amount is in controversy on an individual basis.

Any judicial or administrative decisions, federal legislation or final CFPB or other administrative rule that would impair our ability to enter into and enforce consumer dispute arbitration agreements with class action waivers could significantly increase our exposure to class action litigation as well as litigation in plaintiff-friendly jurisdictions. Such litigation could have a material adverse effect on us.

We are required to comply with laws and regulations regulating extensions of credit and other dealings with customers and our failure to comply with applicable laws and regulations, or any adverse change in those laws or regulations, could have a negative impact on our business. A substantial portion of our customers finance purchases through our credit offerings. The extension of credit to consumers and related collection efforts is a highly regulated area of our business. Numerous federal and state laws impose disclosure and other requirements on the origination, servicing and enforcement of credit accounts. These laws include, but are not limited to, TILA, ECOA, the Dodd-Frank Act, FCRA, GLBA, FTCA, FDCPA, MLA, SCRA, the Texas Debt Collection Act and the Telephone Consumer Protection Act ("TCPA"). Our business practices, marketing and advertising terms, procedures and practices for credit applications and underwriting, terms of credit extensions and related disclosures, data privacy and protection practices, and collection practices, may be subject to periodic or special reviews by regulatory and enforcement authorities under the foregoing laws. These reviews could range from investigations of specific consumer complaints or concerns to broader inquiries into our practices generally. If, as part of these reviews, the regulatory authorities conclude that we are not complying with applicable laws or regulations, they could request or impose a wide range of sanctions and remedies including requiring changes in advertising and collection practices, changes in our credit application and underwriting practices, changes in our data privacy or protection practices, changes in the terms of our credit or other financial products (such as decreases in interest rates or fees), the imposition of fines or penalties, or the paying of restitution or the taking of other remedial action with respect to affected customers. They also could require us to stop offering some of our credit or other financial products within one or more states, or nationwide.

Negative publicity relating to any specific inquiry or investigation, regardless of whether we have violated any applicable law or regulation or the extent of any such violation, could negatively affect our reputation, our brand and our stock price, which could have a material adverse effect on us. If any deficiencies or violations of law or regulations are identified by us or asserted by any regulator or other person, or if any regulatory or enforcement authority or court requires us to change any of our practices, the correction of such deficiencies or violations, or the making of such changes, could have a material adverse effect on us. We face the risk that restrictions or limitations resulting from the enactment, change, or interpretation of federal or state laws and regulations, such as the Dodd-Frank Act, could negatively affect our business activities, require us to make significant expenditures or effectively eliminate credit products or other financial products currently offered to customers.

Any failure on our part to comply with legal requirements in connection with credit or other financial products, or in connection with servicing or collecting our accounts or otherwise dealing with consumers, could significantly impair our ability to collect the full amount of the account balances and could subject us to substantial liability for damages or penalties. The institution of any litigation of this nature, or the rendering of any judgment against us in any litigation of this nature, could have a material adverse effect on us.

We may also expand into additional jurisdictions or offer new credit products in existing jurisdictions. We must comply with the laws of each jurisdiction we operate in, which are not uniform. New or different laws in new jurisdictions into which we expand, or changes to the laws in those jurisdictions or the ones in which we currently operate, could increase our compliance costs, expose us to litigation risk or otherwise have a material adverse effect on us.

We face the risk of litigation resulting from calls and text messages in violation of the TCPA. Contacting current and prospective customers in connection with delinquent accounts and marketing efforts are parts of our business. The TCPA restricts certain calling and the use of automated SMS text messages without proper consent. This has resulted and may in the future result in civil claims against us. The scope and interpretation of the TCPA applicable to calling and texting are continuously evolving and developing, and there are differing interpretations of the TCPA among the jurisdictions in which we operate. In some cases, violations of the TCPA may be enforced by individual customers through class actions, and statutory penalties for TCPA violations range from $500 to $1,500 per violation. If we do not comply with the TCPA or if we become liable under the TCPA, we could face direct liability and our business and financial condition could be materially adversely affected.

We have been named as a defendant in multiple securities class action lawsuits and shareholder derivative lawsuits. Potential similar or related litigation or investigations could result in substantial damages and may divert management's time and attention from our business. We and certain of our current and former officers and directors are named as defendants in securities class action lawsuits and in related shareholder derivative lawsuits. Each of these matters is described in more detail in Part II, Item 8., in Note 12, *Contingencies*, of the Consolidated Financial Statements of this Annual Report on Form 10-K.

The lawsuits could result in the diversion of management's time and attention away from business operations, which could harm our business and also harm our relationships with existing customers and vendors. They may also materially damage our reputation

and the value of our brand. Our legal expenses incurred in defending the lawsuits could be significant, and a ruling against us, or a settlement of any of these matters, could have a material adverse effect on us.

There can be no assurance that any litigation to which we are, or in the future may become, a party will be resolved in our favor. These lawsuits and any other lawsuits that we may become party to are subject to inherent uncertainties, and the costs to us of defending litigation matters will depend upon many unknown factors. Any claim that is successfully decided against us may require us to pay substantial damages, including punitive damages, and other related fees, or prevent us from selling certain of our products. Regardless of whether lawsuits are resolved in our favor or if we are the plaintiff or the defendant in the litigation, any lawsuits to which we are or may become a party will likely be expensive and time consuming to defend or resolve.

Pending litigation relating to the sale of credit insurance and the sale of repair service agreements in the retail industry could have a material adverse effect on us. State attorneys generals and private plaintiffs have filed lawsuits against other retailers relating to improper practices in connection with the sale of credit insurance and repair service agreements in several jurisdictions around the country. We offer credit insurance in our stores on sales financed under our credit programs and require customers to purchase credit insurance from us, or provide evidence from a third-party insurance provider, at their election, in connection with sales of merchandise on credit. Therefore, similar litigation could be brought against us. While we believe we are in full compliance with applicable laws and regulations, if we are found liable in any future lawsuit regarding credit insurance or repair service agreements, we could be required to pay substantial damages or incur substantial costs as part of an out-of-court settlement or require us to modify or suspend certain operations, any of which could have a material adverse effect on us. An adverse judgment or any negative publicity associated with our repair service agreements or any potential credit insurance litigation could also affect our reputation, which could have a negative impact on our cash flow and results of operations.

Pending or unforeseen litigation and the potential for adverse publicity associated with litigation could have a material adverse effect on us. We are involved from time to time in various legal proceedings arising in the ordinary course of our business, including primarily commercial, consumer finance, debt collections, product liability, employment and intellectual property claims. We currently do not expect the outcome of any pending matters to have a material adverse effect on our consolidated results of operations, financial position or cash flows. Litigation, however, is inherently unpredictable, and it is possible that the ultimate outcome of one or more pending claims asserted against us, or claims that may be asserted in the future that we are currently not aware of, or adverse publicity resulting from any such litigation, could adversely impact our business, reputation, sales, profitability, cash flows and financial condition.

In recent years many participants in the manufacturing, retail and software industries have been the target of patent litigation claimants making demands or filing claims based upon alleged patent infringement through the manufacturing and selling, either in merchandise or through software and internet websites, of product or merely providing access through website portals. We, in conjunction with multiple other parties, have been (and remain) the targets of such claims. While we believe that we have not violated or infringed any third-party alleged patent rights, and intend to defend vigorously any such claims, the cost to defend, settle or pay any such claims could be substantial and could have a material adverse effect on us.

Failure to effectively manage our costs could have a material adverse effect on our profitability. Certain elements of our cost structure are largely fixed in nature. Consumer spending remains uncertain, which makes it more challenging for us to maintain or increase our operating income. The competitiveness in our industry and increasing price transparency means that the focus on achieving efficient operations is greater than ever. As a result, we must continuously focus on managing our cost structure. Failure to manage our labor and benefit rates, advertising and marketing expenses, operating leases, charge-offs, other store expenses or indirect spending could materially adversely affect us.

Our stores are concentrated in the southern region of the U.S., especially Texas, which subjects us to regional risks, such as the economy, outbreaks, the performance of energy markets, weather conditions, hurricanes and other natural or man-made disasters. If the southern region of the U.S. suffers an economic downturn or any other adverse regional event, such as an outbreak, a collapse of the oil and gas market, or inclement weather, it could have a material adverse effect on us as a result of the concentration of our stores in such region. Several of our competitors operate stores in various regions across the U.S. and thus may not be as vulnerable to the risks associated with operating in a concentrated region. The states and the local economies where many of our stores are located are dependent, to a degree, on the oil and gas industries, which can be very volatile due to fluctuations of commodities prices or other causes. Because of fears of climate change and adverse effects of drilling explosions and oil spills, legislation has been considered, and governmental regulations and orders have been issued, which, combined with the local economic and employment conditions caused by both, could materially adversely impact the oil and gas industries and the economic health of areas in which a significant number of our stores are located.

Acts of violence at or threatened against our stores or the centers in which they are located, including active shooter situations and terrorism, could unfavorably impact our sales, which could have a material adverse effect on us. Any act of violence at or threatened against our stores or the centers in which they are located, including active shooter situations and terrorist activities, may result in restricted access to our stores and/or store closures in the short-term, and in the long-term, may cause our customers

to avoid our stores. Any such situation could adversely impact cash flows and make it more difficult to fully staff our stores, which could have a material adverse effect on us.

A large number of our stores are located in the State of Texas, which subjects us to concentrated regulatory risks. Negative or unexpected legislative or regulatory changes in Texas could have a material adverse effect on us. In Texas, the Office of the Consumer Credit Commissioner ("OCCC") issues the consumer loan licenses that permit us to offer direct consumer loans. The OCCC also regulates us as a licensee. We have 64 retail stores in Texas. If we fail to establish or implement a proper regulatory infrastructure to comply with Texas' regulatory requirements, the OCCC could restrict or rescind our consumer loan licenses. A restriction on or a loss of such licenses issued could have a material adverse effect on our financial performance and cause reputational harm. Failure on our part to comply with applicable consumer lending laws of the State of Texas could also expose us to consumer litigation and regulatory enforcement action, possibly resulting in substantial penalties and claims for damages and, in certain circumstances, may subject us to injunctions, require us to refund finance charges already paid, forgo finance charges not yet paid under credit accounts, change our credit extension, servicing, collection, and marketing practices or a combination of the foregoing. Should Texas or the OCCC change laws, regulations or codes related to consumer loans, or modify past regulatory guidance, our compliance costs and litigation exposure could increase. We believe that we are in substantial compliance with the applicable consumer credit laws in the State of Texas.

Our information technology systems for our key business processes are vulnerable to damage that could harm our business. Our ability to operate our business, including our ability to manage our credit and collections, operations and inventory levels, largely depends on the efficient operation of our computer hardware and software systems. We use management information systems, including our credit underwriting, loan management, inventory management and collections systems, to track inventory information at the store level, communicate customer information, aggregate daily sales and expense information and manage our credit portfolio, including processing credit applications and managing collections. In addition, we license these systems from third parties. These systems and our operations are subject to damage or interruption from, among other things:

- Power loss, computer systems failures and internet, telecommunications or data network failures;
- Operator negligence, unauthorized access or improper operation by, or supervision of, employees;
- Physical and electronic loss of data or security breaches, misappropriation and similar events;
- Computer viruses;
- Intentional acts of vandalism and similar events;
- Failures on behalf of third parties from which we license certain of these systems to provide timely, quality and regular access to or maintenance of such systems; and
- Hurricanes, fires, floods and other natural disasters.

In addition, the software that we have developed internally to use in our daily operations may contain undetected errors that could cause our network to fail or our expenses to increase. Any failure of our owned or licensed systems due to any of these or other causes could cause an interruption in our operations and result in reduced net sales and results of operations. Though we have implemented contingency and disaster recovery processes in the event of one or several technology failures, any unforeseen failure, interruption or compromise of our systems or our security measures could adversely affect our business and harm our reputation. The risk of possible failures or interruptions may not be adequately addressed by us or the third-parties on which we rely, and such failures or interruptions could occur. The occurrence of any failures or interruptions could have a material adverse effect on us.

Our information technology systems may not be adequate to meet our evolving business and emerging regulatory needs and the failure to successfully implement new systems could negatively impact our business and financial results. We are investing capital in new information technology systems and implementing modifications and upgrades to existing systems to support our growth plan. These investments include replacing legacy systems, making changes to existing systems, building redundancies, and acquiring new systems and hardware with updated functionality. We are taking actions to ensure the successful implementation of these initiatives, including the testing of new systems and the transfer of existing data, with minimal disruptions to our business and collections, but there can be no guarantee of success. These efforts may take longer and may require greater financial and other resources than anticipated, may cause distraction of key personnel, may cause disruptions to our existing systems and our business, and may not provide the anticipated benefits. Any disruption in our information technology systems, or our inability to improve, or failure to upgrade, integrate or expand our systems to meet our evolving business and emerging regulatory requirements, could impair our ability to achieve critical strategic initiatives and could have a material adverse effect on us.

Our inability to maintain our insurance licenses requirements in the states in which we operate and changes in premium and commission rates on the insurance products we sell could have a material adverse effect on us. We derive a significant portion of our revenues and operating income from the commissions we earn from the sale of various insurance products of third-party insurers to our customers. These products include credit insurance, repair service agreements and product replacement policies.

Most states and many local jurisdictions in which we operate require registration and licenses to sell these products or otherwise conduct our business. These states and local jurisdictions have, in many cases, established criteria we must satisfy in order to obtain, maintain and renew these licenses. For example, certain states or other jurisdictions require us to meet or exceed certain operational, advertising, disclosure, collection and recordkeeping requirements and to maintain a minimum amount of net worth or equity. From time to time, we are subject to audits in these jurisdictions to ensure we are satisfying the applicable requirements in order to maintain these necessary licenses. If, for any reason, we are unable to satisfy these requirements, we might be unable to maintain our insurance licenses in the states and other jurisdictions in which we operate, we might be subject to various fines and penalties or store closures, or our requests for new or renewed licenses may be denied, any of which consequences could have a material adverse effect on us. In addition, any material claims or future material litigation involving our credit insurance agreements, repair service agreements or product replacement policies, or any decline in the commissions we retain from our sales of these insurance products, may have a material adverse effect on us. Commissions earned on our credit insurance, repair service agreement or product replacement agreement products could also be materially adversely affected by changes in statutory premium rates, commission rates, adverse claims experience and other factors.

We could lose our access to customer and credit data sources, which could cause us competitive harm and have a material adverse effect on us. We are heavily dependent on customer and credit data provided by third party providers. Our data providers could stop providing data, provide untimely, incorrect or incomplete data, or increase the costs for their data for a variety of reasons, including a perception that our systems are insecure as a result of a data security breach or regulatory concerns or for competitive reasons. We could also become subject to increased legislative, regulatory or judicial restrictions or mandates on the collection, disclosure or use of such data, in particular if such data is not collected by our providers in a way that allows us to legally use the data. If we were to lose access to this external data or if our access or use were restricted or were to become less economical or desirable, our business would be negatively impacted, which would adversely affect our operating results and financial condition. We cannot provide assurance that we will be successful in maintaining our relationships with these external data source providers or that we will be able to continue to obtain data from them on acceptable terms or at all. Furthermore, we cannot provide assurance that we will be able to obtain comparable data from alternative sources on favorable terms or at all if our current sources become unavailable.

If we cannot continue to offer third party payment solutions for customers who do not qualify for our proprietary credit offerings, our business may be impaired. Currently, if a customer does not qualify for our credit offering for a particular purchase in our stores, but qualifies with Progressive, a payment solutions provider not affiliated with us, then we sell the applicable merchandise to Progressive, which leases the merchandise to the customer under a lease-to-own arrangement, and we record a cash sale from this arrangement. In fiscal year 2020, Progressive represented approximately 7.0% of our retail revenue. Further, we offer Synchrony, a third-party credit solution provider for well-qualified customers who do not wish to utilize our proprietary credit offerings. We record a Synchrony sale as a cash sale. In fiscal year 2020, Synchrony represented approximately 17.8% our of retail revenue. Progressive's and Synchrony's respective business models are subject to various risks that are outside of our control. If, as a result of any of these risks, Progressive or Synchrony are unable to, or otherwise determine not to continue operating with us at a level or on terms similar to the level or on terms we have historically operated, or if we are unable to establish a new partnership with different providers on favorable terms or at all, then we could lose sales or revenue, our financial results could be adversely affected, our ability to execute our growth plan could be impeded and we could otherwise suffer a material adverse effect.

If we are unable to continue to offer third-party repair service agreements to our customers, we could incur additional costs or repair expenses, which could materially adversely affect us. There are a limited number of insurance carriers that provide repair service agreement programs. If repair service agreement programs become unavailable from our current providers for any reason, we may be unable to provide repair service agreements to our customers on the same or similar terms, or at all. Even if we are able to obtain a substitute provider, higher premiums may be required, which could have a material adverse effect on our profitability if we are unable to pass along the increased cost of such coverage to our customers. Inability to maintain the repair service agreement program could cause fluctuations in our repair expenses, impact our credit portfolio losses, and cause greater volatility of earnings and could require us to become the obligor under new contracts we sell.

If we are unable to maintain group credit insurance policies from insurance carriers, which allow us to offer their credit insurance products to our customers purchasing our merchandise on credit, our revenues may be reduced or our credit losses may increase. There are a limited number of insurance carriers that provide credit insurance coverage for sale to our customers. If credit insurance becomes unavailable for any reason we may be unable to offer substitute coverage on the same or similar terms, or at all. Even if we are able to obtain substitute coverage, it may be at higher rates or reduced coverage, which could affect customer acceptance of these products, reduce our revenues or increase our credit losses.

We utilize four third-party home delivery service providers. The loss of any one provider could have a material negative impact on our home delivery operations. If our third-party merchandise delivery services are unable to meet our promised delivery schedule, unable to maintain expense controls, or cease operations, including due to the economic impact of various factors including the COVID-19 outbreak or energy market disruption, our net sales may decline due to a decline in customer satisfaction, and profitability levels may be negatively impacted. For many purchases, we offer next day delivery to our customers that we

outsource to one of four third-party delivery service providers. The loss of any one service provider, or the failure to establish and maintain relationships with these or other similar service providers, could have a material negative impact on our home delivery operations. These third-parties are subject to risks that are beyond our control and, if they fail to timely or satisfactorily deliver our products, we may lose business from customers in the future and could suffer damage to our reputation. The loss of customers or damage to our reputation could have a material adverse effect on us. Further, if our third-party delivery service providers are unable to maintain expense controls, our profitability and results of operations may be negatively impacted.

Changes in trade policy, currency exchange rate fluctuations and other factors beyond our control could materially adversely affect our business. A significant portion of our inventory is manufactured or assembled overseas in Asia and in Mexico. Changes in U.S. and foreign governments' trade policies have resulted in, and may continue to result in, tariffs on imports into and exports from the U.S. Throughout 2018 and 2019, the U.S. imposed tariffs on imports from several countries, including China, and created the potential for significant additional changes in trade policies. While the impact of the tariffs was minimal to the Company in fiscal year 2020, because many of the products that we sell are manufactured in foreign jurisdictions, including China, such tariffs could have a negative impact on our business in the future. Additionally, in November 2018, the U.S., Mexico and Canada signed the United States-Mexico-Canada Agreement (the "USMCA"), which is designed to overhaul and update the North American Free Trade Agreement ("NAFTA"). The three countries agreed to a revised version of the USMCA in December 2019. The USMCA has been ratified by all three countries, and as a result, has replaced NAFTA. If the U.S. were to withdraw from or materially modify other international trade agreements, certain foreign-sourced goods that we sell may no longer be available at commercially attractive prices or at all, resulting in a material adverse effect on us. Continued diminished trade relations between the U.S. and other countries, as well as the continued escalation of tariffs, could have a material adverse effect on us. Additionally, currency fluctuations, border taxes, import tariffs, or other factors beyond our control may increase the cost of items we purchase or create shortages of these items, which in turn could have a material adverse effect on us. Conversely, significant reductions in the cost of these items in U.S. dollars may cause a significant reduction in the retail prices of those products, resulting in a material adverse effect on us.

Our costs to protect our intellectual property rights, infringement of which could impair our name and reputation, could be significant. We believe that our success and ability to compete depends in part on consumer identification of the name "Conn's" and we rely on certain trademark registrations and common law rights to protect the distinctiveness of our brand. We intend to protect vigorously our trademarks against infringement, misappropriation or dilution by others. A third-party, however, could attempt to misappropriate our intellectual property or claim that our intellectual property infringes or otherwise violates third-party trademarks in the future. Any litigation or claims relating to our intellectual property brought by or against us, whether with or without merit, or whether successful or not, could result in substantial costs and diversion of our resources, which could have a material adverse effect on us.

Failure to protect the security of our customers', employees' or suppliers' information or failure to comply with data privacy and protection laws could expose us to litigation, compromise the integrity of our products, damage our reputation and materially adversely affect us. Our business regularly captures, collects, handles, processes, transmits and stores significant amounts of sensitive information about our customers, employees, suppliers and others, including financial records, credit and business information, and certain other personally identifiable or other sensitive personal information. A number of other retailers have experienced security breaches, including a number of highly publicized incidents involving well-known retailers. To our knowledge, we have not suffered a significant security breach. While we have implemented systems and processes to protect against unauthorized access to or use of secured data and to prevent data loss and theft, there is no guarantee that these procedures are adequate to safeguard against all data security breaches or misuse of data. In addition, we rely on the secure operation of our website and other third-party systems generally to assist us in the collection and transmission of the sensitive data we collect. Our information systems are vulnerable to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches (including credit card information breaches), vandalism, catastrophic events and human error or malfeasance. A compromise of our information security controls or of those businesses with which we interact, which results in confidential information being accessed, obtained, damaged, or used by unauthorized or improper persons, could harm our reputation and expose us to regulatory actions and claims from customers, employees, financial institutions, payment card associations and other persons, any of which could materially adversely affect us. Moreover, a data security breach could require that we expend significant resources related to our information systems and infrastructure, and could distract management and other key personnel from performing their primary operational duties. If our information systems are damaged, fail to work properly or otherwise become unavailable, we may incur substantial costs to repair or replace them, and may experience loss of critical information, customer disruption and interruptions or delays in our ability to perform essential functions and implement new and innovative services. In addition, compliance with changes in privacy and information security laws and standards may result in considerable expense due to increased investment in technology and the development of new operational processes.

We maintain data breach and network security liability insurance, but we cannot be certain that our coverage will be adequate for any liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms or at all. We may need to devote significant resources to protect against security breaches or to address problems caused by breaches, which would divert resources from the growth and expansion of our business.

We may incur property, casualty or other losses not covered by insurance. We maintain a program of insurance coverage for various types of property, casualty and other risks. The types and amounts of insurance that we obtain vary from time to time, depending on availability, cost and our decisions with respect to risk retention. The insurance policies are subject to deductibles and exclusions that result in our retention of a level of risk on a self-insurance basis. Losses not covered by insurance could be substantial and may increase our expenses, which could harm our results of operations and financial condition.

Our tax liabilities could be materially impacted by any changes in the tax laws of the jurisdictions in which we operate, beginning operations in new states, and assessments as a result of tax audits. Legislation could be introduced at any time that changes our tax liabilities in a way that has a material adverse effect on us. In particular, because of the extent of our operations in Texas, the Texas margin tax, which is based on gross profit rather than earnings, can create significant volatility in our effective tax rate. In addition, our entry into new states in the future could subject us to additional tax rate volatility, dependent upon the tax laws in place in those states. Moreover, we periodically review our indirect tax audit reserve based on recent assessments of prior year periods. In the event that actual results differ from our estimate, we may revise our estimate of post-audit periods, which could materially impact our financial condition and results of operations.

We are subject to sales, income and other taxes, which can be difficult and complex to calculate due to the nature of our business. A failure to correctly calculate and pay such taxes could result in substantial tax liabilities and have a material adverse effect on us. The application of indirect taxes, such as sales tax, is a complex and evolving issue and we may not have accrued or remitted required amounts to various jurisdictions. Many of the fundamental statutes and regulations that impose these taxes were established before the growth of e-commerce and, therefore, in many cases it is not clear how existing statutes apply to certain aspects of our business and we rely on advice from our third-party tax advisors. In addition, governments are increasingly looking for ways to increase revenues, which has resulted in discussions about tax reform and other legislative action to increase tax revenues, including through indirect taxes. This also could result in other adverse changes in or interpretations of existing sales, income and other tax regulations, the exact nature or effect of which cannot be reasonably calculated, but which could have a material adverse effect on us.

Failure to successfully utilize and manage e-commerce, and to compete effectively with the growing e-commerce sector, could materially adversely affect our business and prospects. Our website provides new and existing customers with the ability to review our product offerings and prices, apply for credit, and make payments on their credit accounts. Customers may apply for credit, be approved for credit, and complete a transaction to purchase merchandise on our website. Customers may also purchase certain products on our website using a credit card. Our website is a significant component of our advertising strategy. We believe our website represents a possible source for future sales and growth in our credit sales. In order to promote our products and services, allow our customers to complete credit applications in the privacy of their homes and on their mobile devices and make payments on their accounts, and drive traffic to our stores, we must effectively create, design, publish and distribute content over the internet. In late fiscal year 2020, we started to offer certain credit-qualified customers the ability to complete an entire purchase transaction financed online through our proprietary in-house credit programs. We are monitoring and adjusting the availability of our new online sales channels for credit performance and profitability. There can be no assurance that we will be able to design and publish web content with a high level of effectiveness or grow our e-commerce business in a profitable manner. Certain of our competitors, and a number of e-commerce retailers, have established e-commerce operations against which we compete for customers. It is possible that the increasing competition from the e-commerce sector may reduce our market share, gross margin or operating margin, and may have a material adverse effect on us.

If we fail to maintain adequate systems and processes to detect and prevent fraudulent activity, including in our e-commerce business, our business could be materially adversely impacted. Criminals are using increasingly sophisticated methods to engage in illegal activities such as paper instrument counterfeiting, fraudulent payment or refund schemes and identity theft. As we make more of our services available over the internet and other media, and as we expand into new geographic regions without an established customer base, we subject ourselves to increased consumer fraud risk. While we believe past incidents of fraudulent activity have been relatively isolated, we cannot be certain that our systems and processes will always be adequate in the face of increasingly sophisticated and ever-changing fraud schemes. We use a variety of tools to protect against fraud, but these tools may not always be successful at preventing such fraud. Instances of fraud may result in increased costs, including possible settlement and litigation expenses, and could have a material adverse effect on us.

Our reputation, ability to do business and operating results may be impaired by improper conduct by any of our employees, agents or business partners. Our employees, agents or business partners may violate the policies and procedures we have implemented to ensure compliance with applicable laws. Improper actions by any of the foregoing could subject us to civil, criminal or administrative investigations, could lead to substantial civil and criminal, monetary and non-monetary penalties, and related shareholder lawsuits, could cause us to incur significant legal fees, and could damage our reputation.

Because we maintain a significant supply of cash and inventories in our stores, we may be subject to employee and third-party robberies, burglaries, thefts, riots and looting, and may be subject to liability as a result of crimes at our stores. Our business requires us to maintain a significant supply of cash, loan collateral and inventories in most of our stores. As a result, we are subject to the risk of robberies, burglaries, thefts, riots and looting. Although we have implemented various programs in an effort to reduce

these risks, maintain insurance coverage for robberies, burglaries and thefts and utilize various security measures at our facilities, there can be no assurance that robberies, burglaries, thefts, riots and looting will not occur. The extent of our cash, loan collateral and inventory, losses or shortages could increase as we expand the nature and scope of our products and services. Robberies, burglaries, thefts, riots and looting could lead to losses and shortages and could have a material adverse effect on us. It is also possible that violent crimes such as armed robberies may be committed at our stores. We could experience liability or adverse publicity arising from such crimes. For example, we may be liable if an employee, customer, guard or bystander suffers bodily injury or other harm. Any such event may have a material adverse effect on us.

We are subject to risks associated with leasing substantial amounts of space, including future increases in occupancy costs. We lease almost all of our store locations, our corporate headquarters and our distribution centers. Our continued growth and success depends in part on our ability to locate property for new stores and renew leases for existing locations. There is no assurance that we will be able to locate real estate and negotiate leases for new stores, or renegotiate leases for existing locations, on the same or similar terms, or on favorable terms at all, and we could be forced to move or exit a market as a result. Furthermore, a significant rise in real estate prices or real property taxes could result in an increase in store lease expense as we open new locations and renew leases for existing locations, thereby negatively impacting our results of operations. Our inability to enter into new leases or renew existing leases on terms acceptable to us, or be released from our obligations under leases for stores that we close, could materially adversely affect us.

We depend primarily on cash flow from operations to pay our lease expenses. If our business does not generate sufficient cash flow from operating activities to fund these expenses, we may not be able to service our lease expenses, which could materially adversely affect us. If an existing or future store is not profitable, and we decide to close it, we may be nonetheless committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. Moreover, even if a lease has an early cancellation clause, we might not satisfy the contractual requirements for early cancellation under that lease.

Failure to maintain positive brand perception and recognition could have a negative impact on our business. Maintaining a good reputation is critical to the success of our business. The considerable expansion of the use of social media by our customers (including, but not only, as a result of our technological outreach), has increased the risk that our reputation could be negatively impacted in a short amount of time. If we are unable to quickly and effectively respond to criticism of our brand or reputation (on any basis), we may suffer declines in customer loyalty and traffic, vendor relationship issues, and other consequences, all of which could have a material adverse effect on us.

We face risks with respect to product liability claims and product recalls, which could materially adversely affect our reputation, our business, and our consolidated results of operations. We purchase merchandise from third-parties and offer this merchandise to customers for sale. This merchandise could be subject to recalls and other actions by regulatory authorities. Changes in laws and regulations could also impact the type of merchandise we offer to customers. We have experienced, and may in the future experience, recalls of merchandise. In addition, individuals may in the future assert claims that they have sustained injuries from third-party merchandise offered by us, and we may be subject to future lawsuits relating to these claims. These claims or liabilities may exceed, or fall outside the scope of, our insurance coverage. Any of the issues mentioned above could result in damage to our reputation, diversion of management resources, or reduced sales and increased costs, any of which could have a material adverse effect on us.

Our governance documents and Delaware law provide certain anti-takeover measures which could discourage, delay or prevent a change in control of the Company, even if such changes would be beneficial to our stockholders. Provisions of our amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions of the Delaware General Corporation Law ("DGCL") could discourage, delay or prevent a merger, acquisition or other change in control of the Company, even if such change in control would be beneficial to our stockholders. These provisions include:

- A prohibition on stockholder action without a meeting, unless such action has been approved in advance by our Board of Directors;
- A prohibition on stockholders' ability to call special meetings of stockholders;
- Advance notice requirements for nominations for election to the Board of Directors or for proposing matters that can be acted upon by stockholders at stockholder meetings; and
- Authorization of the issuance of "blank check" preferred stock that could be issued by our Board of Directors to increase the number of outstanding shares and thwart a takeover attempt.

Further, we are subject to Section 203 of the DGCL, which limits certain transactions and business combinations between a corporation and a stockholder owning 15% or more of the corporation's outstanding voting stock for a period of three years from the date the stockholder becomes a 15% stockholder. These provisions and our stockholders' rights plan, either alone or in combination with each other, could delay, deter or prevent a change of control, whether or not it is desired by, or beneficial to, our stockholders.

Our corporate actions may be substantially controlled by our principal stockholders and affiliated entities. A large proportion of our outstanding common stock is beneficially owned by a small group of principal stockholders and their affiliates, including Stephens Inc., Stephens Group, BlackRock, Inc., The Vanguard Group and Dimensional Fund Advisors LP. Large holders, such as these, may be able to affect matters requiring approval by Company stockholders, including the election of directors and the approval of mergers or other business combination transactions. The concentration of ownership of our shares of common stock by the relatively small number of investors and hedge funds may:

- Have significant influence in determining the outcome of any matter submitted to stockholders for approval, including the election of directors, mergers, consolidations, and the sale of all or substantially of our assets or other significant corporate actions;
- Delay or deter a change of control of the Company;
- Deprive stockholders of an opportunity to receive a premium for their shares as part of a sale of the Company; and
- Affect the market price volatility and liquidity of our shares of common stock.

The interests of these investors and their respective affiliates may differ from or be adverse to the interests of our other stockholders. If any of these investors sells a substantial number of shares in the public market, the market price of our shares could fall. The perception among the public that these sales will occur could also contribute to a decline in the market price of our shares.

Our failure to maintain an effective system of internal controls could result in significant deficiencies or material weaknesses, and further result in inaccurate reporting of financial results and harm our business. We are required to comply with a variety of reporting, accounting and other rules and regulations. As such, we maintain a system of internal control over financial reporting, but there are limitations inherent in internal control systems and significant deficiencies or material weaknesses, such as the material weakness described in Part II, Item 9A, Controls and Procedures, of this Annual Report on Form 10-K, are possible. A control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints and the benefit of controls must be appropriate relative to their costs. Furthermore, compliance with existing requirements is expensive and we may need to implement additional finance and accounting and other systems, procedures and controls to satisfy our reporting requirements. If our internal control over financial reporting is determined to be ineffective, or if we are unable to appropriately or timely remediate any such effectiveness, such failure could cause us to restate financial results that have been made public, cause investors to lose confidence in our reported financial information, negatively affect the market price of our common stock, subject us to regulatory investigations and penalties, require us to expend significant resources to remediate the deficiencies, impair our access to capital and otherwise materially adversely impact us.

Stock market volatility may materially adversely affect the market price of our common stock. Our common stock price has been and is likely to continue to be subject to significant volatility. A variety of factors could cause the price of our common stock to fluctuate substantially, including:

- General market fluctuations resulting from factors not directly related to our operations or the inherent value of our common stock;
- State or federal legislative or regulatory proposals, initiatives, actions or changes that are, or are perceived to be, adverse to our operations;
- Announcements of developments related to our business or our competitors;
- Fluctuations in our operating results and the provision for bad debts;
- General conditions in the consumer financial service industry, the domestic or global economy or the domestic or global credit or capital markets;
- Changes in financial estimates by securities analysts;
- Our failure to meet the expectations of securities analysts or investors;
- Negative commentary regarding us and corresponding short-selling market behavior;
- Adverse developments in our relationships with our customers or vendors;
- Legal proceedings brought against us or our officers and directors; and
- Changes in our senior management team.

Due to the volatility of our stock price, we are and may be in the future the target of securities litigation. Such lawsuits generally result in the diversion of management’s time and attention away from business operations, which could materially adversely affect

us. In addition, the costs of defense and any damages resulting from such litigation, a ruling against us, or a settlement of any such litigation could materially adversely affect our financial results.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

The number of stores, distribution centers/cross-dock facilities, and corporate offices we operate, together with location and square footage information, are disclosed in Part I, Item 1., *Business*, under the caption "Store Operations," of this Annual Report on Form 10-K and is incorporated herein by reference.

ITEM 3. LEGAL PROCEEDINGS.

The information set forth in Part II, Item 8., in Note 12, *Contingencies*, of the Consolidated Financial Statements of this Annual Report on Form 10-K is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information and Holders

As of April 1, 2020, we had approximately 431 common stockholders of record and an estimated 7,575 beneficial owners of our common stock. The principal market for our common stock is the NASDAQ Global Select Market, where it is traded under the symbol "CONN."

Dividends

No cash dividends were declared or paid in fiscal year 2020 or fiscal year 2019. We do not anticipate paying dividends in the foreseeable future. Any future payment of dividends will be at the discretion of our Board of Directors and will depend upon our results of operations, financial condition, cash requirements and other factors deemed relevant by the Board of Directors, including the terms of our indebtedness. Provisions in agreements governing our long-term indebtedness restrict the amount of dividends that we may pay to our stockholders. See Item 7., *Management's Discussion and Analysis of Financial Condition and Results of Operations*, under the heading "Liquidity and Capital Resources."

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes information as of January 31, 2020, relating to our equity compensation plans to which grants of options, restricted stock units or other rights to acquire shares of our common stock may be granted from time to time:

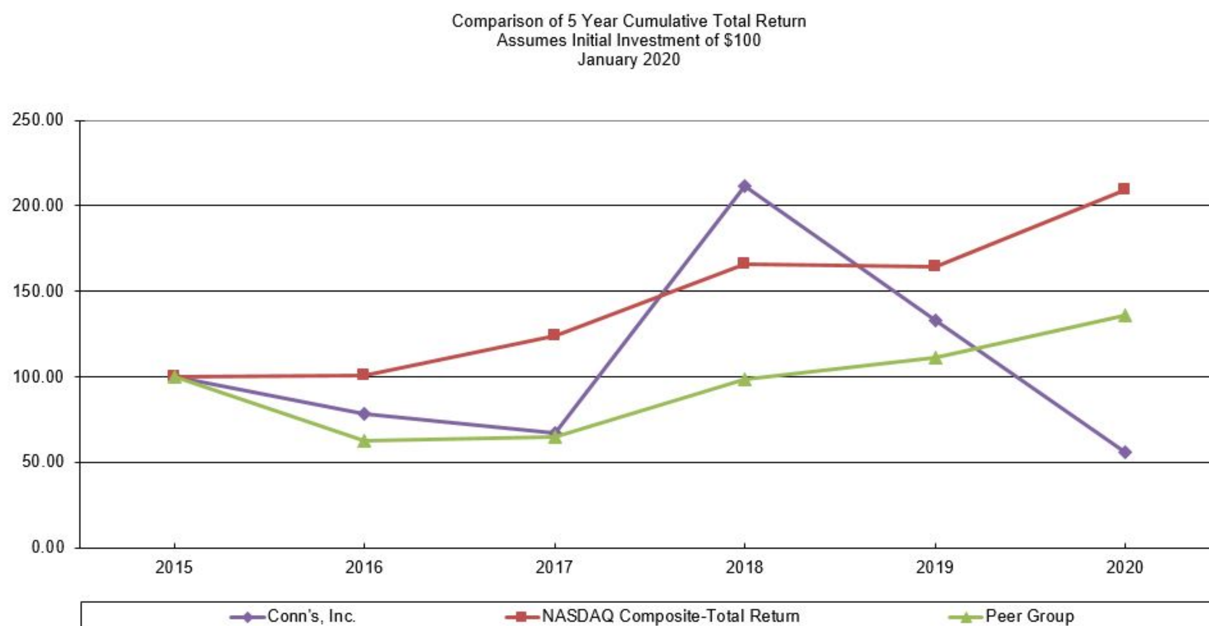
	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a) (1)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b) (2)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Plan Category:			
Equity compensation plans approved by stockholders	1,826,908	$ 12.11	2,283,886
Equity compensation plans not approved by stockholders	—	—	—
Total	1,826,908	$ 12.11	2,283,886

(1) Inclusive of 744,191 stock options, 588,823 restricted stock units ("RSUs") and 493,894 performance-based RSUs ("PSUs").

(2) The $12.11 is inclusive of the 588,823 shares related to RSUs which only have a service requirement and the 493,894 PSUs that have a service, performance and market requirement. Neither the RSUs nor PSUs have an exercise price. The weighted-average exercise price of the 744,191 outstanding stock options is $29.73.

Performance Graph

The following graph compares the cumulative total stockholder return on our common stock for the last five fiscal years with the cumulative total returns of the NASDAQ U.S. Stock Market Index and a customized peer group index comprised of Restoration Hardware, Pier 1 Imports, First Cash, Aaron's, Rent-A-Center, La-Z-Boy, Sleep Number, Ethan Allen, EZCORP, Haverty Furniture and Tuesday Morning (the "Peer Group"). The graph assumes an investment of $100 at the close of trading on January 31, 2015, and reinvestment of any dividends. The stock performance shown below is based solely on historical data and is not necessarily indicative of future performance.



	Base Period	Value for the Fiscal Years Ended January 31,				
	January 31, 2015	2016	2017	2018	2019	2020
Company/Index:						
Conn's, Inc.	$ 100.00	$ 78.27	$ 67.03	$ 211.56	$ 133.04	$ 55.65
NASDAQ U.S. Stock Market Index	$ 100.00	$ 100.70	$ 124.09	$ 165.59	$ 164.45	$ 208.91
Peer Group	$ 100.00	$ 62.68	$ 64.52	$ 98.26	$ 110.96	$ 135.61

The information set forth under the heading "Performance Graph" is not deemed to be "soliciting material" or to be "filed" with the SEC or subject to the SEC's proxy rules or to the liabilities of Section 18 of the Exchange Act, and the graph shall not be deemed to be incorporated into any of our prior or subsequent filings under the Securities Act of 1933, as amended ("Securities Act"), or the Exchange Act.

Issuer Purchases of Equity Securities

The following table presents information with respect to purchases of Conn's common stock by Conn's or its affiliates during the quarter ended January 31, 2020.

Period	Total Number of Shares Purchased (in thousands) (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Program (in thousands) (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (in millions)
November 1 - 30	139	$ 21.63	139	$ 12.9
December 1 - 31	209	$ 20.05	209	$ 8.7
January 1 - 31	—	$ —	—	$ 8.7
Total	348		348	

(1) On May 30, 2019, our Board of Directors approved a stock repurchase program pursuant to which we had the authorization to repurchase up to $75.0 million of our outstanding common stock. The stock repurchase program expires on May 30, 2020. See Note 16, *Stockholder's Equity*, in Part II, Item 8 of this Annual Report on Form 10-K for additional information related to share repurchases.

(2) Average price paid per share excludes costs associated with the repurchases.

ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth selected historical financial information and should be read in conjunction with *Management's Discussion and Analysis of Financial Condition and Results of Operations* and our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. Historical data is not necessarily indicative of our future results of operations or financial condition. Refer to Part 1, Item 1A., *Risk Factors*, included in this Annual Report on Form 10-K. We have derived the selected statement of operations and balance sheet data as of and for each of the years ended January 31, 2020, 2019, 2018, 2017 and 2016 from our audited consolidated financial statements.

	As of and for the Year Ended January 31,				
(dollars in thousands, except per share amounts)	**2020**	**2019**	**2018**	**2017**	**2016**
Statement of Operations Data:					
Revenues:					
Total net sales	$ 1,163,235	$ 1,194,674	$ 1,191,967	$ 1,314,471	$ 1,322,589
Finance charges and other revenues	380,451	355,139	324,064	282,377	290,589
Total revenues	$ 1,543,686	$ 1,549,813	$ 1,516,031	$ 1,596,848	$ 1,613,178
Operating income [1]	$ 134,519	$ 161,255	$ 115,068	$ 64,098	$ 113,716
Net income (loss) [2]	$ 56,004	$ 73,849	$ 6,463	$ (25,562)	$ 30,855
Earnings (loss) per common share:					
Basic	$ 1.85	$ 2.33	$ 0.21	$ (0.83)	$ 0.88
Diluted	$ 1.82	$ 2.28	$ 0.20	$ (0.83)	$ 0.87
Balance Sheet Data:					
Working capital	$ 896,596	$ 776,826	$ 915,906	$ 920,292	$ 1,016,875
Inventories	$ 219,756	$ 220,034	$ 211,894	$ 164,856	$ 201,969
Customer accounts receivable portfolio balance	$ 1,602,037	$ 1,589,828	$ 1,527,862	$ 1,556,439	$ 1,587,856
Total assets	$ 2,168,769	$ 1,884,907	$ 1,900,799	$ 1,941,134	$ 2,025,300
Total debt, net	$ 1,026,140	$ 955,331	$ 1,091,012	$ 1,145,242	$ 1,249,678
Total stockholders' equity	$ 627,180	$ 619,975	$ 535,068	$ 517,790	$ 538,281
Selected Operating Data:					
Change in same stores sales [3]	(8.2)%	(2.2)%	(11.4)%	(6.3)%	0.5%
Retail gross margin [4]	40.0 %	41.2 %	39.6 %	37.4 %	37.0%
Interest income and fee yield	21.8 %	21.3 %	19.3 %	15.4 %	16.3%
Selling, general and administrative expense as a percent of total revenues	32.6 %	31.0 %	29.7 %	28.9 %	27.0%
Provision for bad debts as a percentage of average outstanding balance [5]	13.0 %	12.9 %	14.4 %	15.5 %	15.2%
Bad debt charge-offs, net of recoveries, as a percentage of average outstanding balance	12.6 %	12.7 %	15.1 %	14.4 %	12.4%
Operating margin	8.7 %	10.4 %	7.6 %	4.0 %	7.0%
Return on average equity [6]	9.0 %	12.8 %	1.2 %	(4.8)%	5.2%
Percent of retail sales financed in-house, including down payment received	67.6 %	70.1 %	71.0 %	72.0 %	81.8%
Weighted-average monthly payment rate [7]	4.92 %	5.03 %	5.04 %	4.92 %	4.89%
Number of stores:					
Beginning of fiscal year	123	116	113	103	90
Opened	14	7	3	10	15
Closed	—	—	—	—	(2)
End of fiscal year	137	123	116	113	103

(1) Operating income includes the following charges and credits:

	Year Ended January 31,				
(in thousands)	**2020**	**2019**	**2018**	**2017**	**2016**
Store and facility closure and relocation costs	$ 1,933	$ —	$ 2,381	$ 1,089	$ 637
Legal and professional fees and related reserves associated with the exploration of strategic alternatives, securities-related litigation, a legal judgment and other legal matters	—	5,100	1,177	101	3,153
Indirect tax audit reserve	—	1,943	2,595	1,434	2,748
Impairment from disposal	—	—	—	1,986	—
Employee severance and executive management transition costs	—	737	1,317	1,868	1,506
Write-off of capitalized software costs	1,209	—	5,861	—	—
Charges and credits	$ 3,142	$ 7,780	$ 13,331	$ 6,478	$ 8,044

(2) Net income (loss) includes pre-tax loss from extinguishment of debt for fiscal years 2020, 2019, 2018 and 2016 of $1.1 million, $1.8 million, $3.3 million and $1.4 million, respectively.

(3) Change in same store sales is calculated by comparing the reported sales for all stores that were open during both comparative fiscal years, starting in the first period in which the store has been open for a full quarter. Sales from closed stores, if any, are removed from each period. Sales from relocated stores have been included in each period as each such store was relocated within the same general geographic market. Sales from expanded stores have also been included in each period.

(4) Retail gross margin percentage is defined as total net sales, which includes product sales, repair service agreement commissions, and service revenues, less cost of goods sold divided by total net sales. The presentation of our retail gross margin and costs and expenses may not be comparable to other retailers since we include delivery, transportation and handling costs in cost of goods sold, and we include the cost of merchandising our products in selling, general and administrative expense (“SG&A”). Other retailers may treat such costs differently.

(5) Amount does not include retail segment provision for bad debts.

(6) Return on average equity is calculated as net income (loss) divided by the average of the beginning and ending equity.

(7) Represents the weighted-average of monthly gross cash collections received on the credit portfolio as a percentage of the average monthly beginning portfolio balance for each period.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Overview

This section provides a discussion of our historical financial condition, cash flows and results of operations for the periods indicated herein. We encourage you to read this *Management's Discussion and Analysis of Financial Condition and Results of Operations* in conjunction with the consolidated financial statements and related notes included herein and the discussion in Item 1. *Business* of this annual report on Form 10-K. This discussion contains forward-looking statements that involve numerous risks and uncertainties. The forward-looking statements are subject to a number of important factors, including those factors discussed in Item 1A. *Risk Factors* and Part I *Forward-Looking Statements* that could cause actual results to differ materially from the results described or implied by such forward-looking statements.

Our fiscal year ends on January 31. References to a fiscal year refer to the calendar year in which the fiscal year ends.

Executive Summary

Total revenues were $1.54 billion for fiscal year 2020 compared to $1.55 billion for fiscal year 2019, a decrease of $6.1 million or 0.4%. Retail revenues were $1.16 billion for fiscal year 2020 compared to $1.20 billion for fiscal year 2019, a decrease of $31.1 million or 2.6%. The decrease in retail revenue was primarily driven by a decrease in same store sales of 8.2%, partially offset by new store sales growth. The decrease in same store sales was driven by a decrease of 14.0% in markets impacted by Hurricane Harvey, and by a decrease of 7.1% in markets not impacted by Hurricane Harvey. We believe the decrease in markets impacted by Hurricane Harvey were impacted by rebuilding efforts during the year ended January 31, 2019. The decrease in same store sales reflects a combination of significant price deflation for premium large screen televisions and an increase in production by second- and third-tier manufacturers, which has made cash purchases of large screen televisions more accessible to our core customer, and negatively impacted same store sales during the year ended January 31, 2020. In addition, underwriting adjustments made during the year ended January 31, 2020 further negatively impacted same store sales. Credit revenues were $379.6 million for the fiscal year 2020 compared to $354.7 million for fiscal year 2019, an increase of $24.9 million or 7.0%. The increase in credit revenue resulted from the origination of our higher-yielding direct loan product, which resulted in an increase in the portfolio yield rate to 21.8% from 21.3%, and by a 2.7% increase in the average outstanding balance of the customer accounts receivable portfolio. In addition, insurance income contributed to an increase in credit revenue over the prior year primarily due to an increase in insurance retrospective income.

Retail gross margin for fiscal year 2020 was 40.0%, a decrease of 120 basis points from the 41.2% reported in fiscal year 2019. The decrease in retail gross margin was primarily driven by higher margins realized in fiscal year 2019 due to the one-time benefit of increases in appliance retail pricing related to tariff adjustments and the associated forward purchases of inventory, coupled with increased logistics costs to help support future growth in fiscal year 2020. The decrease was partially offset by an increase in retrospective income on our repair service agreements ("RSAs") during fiscal year 2020.

SG&A for fiscal year 2020 was $503.0 million compared to $480.6 million for fiscal year 2019, an increase of $22.5 million, or 4.7%, over the prior year. The SG&A increase in the retail segment was primarily due to an increase in new store occupancy costs, compensation costs and advertising expense, partially offset by a decrease in the corporate overhead allocation. The SG&A increase in the credit segment was primarily due to an increase in general operational expenses and third-party legal expenses related to collection efforts on charged off accounts. The decrease in the corporate overhead allocation made to each of the segments was driven by a decrease in employee incentive compensation costs.

Provision for bad debts increased to $205.2 million for fiscal year 2020 from $198.1 million in fiscal year 2019, an increase of $7.1 million, or 3.6%. The increase was driven by a greater increase in the allowance for bad debts during the year ended January 31, 2020 compared to the year ended January 31, 2019, and by a year-over-year increase in net charge-offs of $2.8 million. The increase in the allowance for bad debts for the year ended January 31, 2020 was primarily driven by a year-over-year increase in the incurred loss rate, first payment default and delinquency rates compared to the year ended January 31, 2019, partially offset by an increase in customer recovery rate.

Interest expense decreased to $59.1 million for fiscal year 2020 compared to $62.7 million for fiscal year 2019, a decrease of $3.6 million, or 5.7%. The decrease was driven by a lower weighted average cost of borrowing and a lower average outstanding balance of debt.

Net income for fiscal year 2020 was $56.0 million, or $1.82 per diluted share, compared to $73.8 million, or $2.28 per diluted share, for fiscal year 2019.

How We Evaluate Our Operations

Senior management focuses on certain key indicators to monitor our performance including:

- Same store sales - Our management considers same store sales, which consists of both brick and mortar and eCommerce sales, to be an important indicator of our performance because they are important to our attempts to leverage our SG&A costs, which include rent and other store expenses, and they have a direct impact on our total net sales, net income, cash and working capital. Same store sales is calculated by comparing the reported sales for all stores that were open during both comparative fiscal years, starting in the first period in which the store has been open for a full quarter. Sales from closed stores, if any, are removed from each period. Sales from relocated stores have been included in each period as each such store was relocated within the same general geographic market. Sales from expanded stores have also been included in each period.
- Retail gross margin - Our management views retail gross margin as a key indicator of our performance because it reflects our pricing power relative to the prices we pay for our products. Retail gross margin is calculated by comparing retail total net sales to the cost of goods sold.
- 60+ Day Delinquencies - Our management views customer account delinquencies as a key indicator of our performance because it is a reflection of the quality of our credit portfolio, it drives future credit performance and credit offerings, and it impacts the interest rates we pay on our asset-backed securitizations. Delinquencies are measured as the percentage of balances that are 60+ days past due.
- Net Yield - Our management considers yield to be a key performance metric because it drives future credit decisions and credit offerings and directly impacts our net income. Yield reflects the amount of interest we receive from our portfolio.

Company Initiatives

In fiscal year 2020, we delivered stable credit performance, driven by higher yields, better portfolio performance and lower borrowing costs. Retail operating margins also remained strong, demonstrating our differentiated business model, improved product mix and emphasis on disciplined cost management. We delivered the following financial and operational results in fiscal year 2020:

- Recorded record annual yield on our customer receivables portfolio of 21.8% as a result of the continued seasoning of loans originated under our higher-yielding direct loan program;
- Increased e-commerce sales by $9.5 million, or 357%, compared to fiscal year 2019;
- Delivered retail gross margin of 40.0% in fiscal year 2020;
- Increased our credit spread, which is the difference between the net yield and charge-offs as a percentage of our customer accounts receivable portfolio balance, to 9.2% in fiscal year 2020 from 8.6% in fiscal year 2019;
- A decrease in interest expense by 5.7% compared to fiscal year 2019 as a result of our continued successful execution of our asset-backed securitization program; and
- Opened 14 new stores for fiscal year 2020.

Outlook

Our business and industry have been impacted in unprecedented ways by the COVID-19 outbreak in the United States. As the virus and efforts to contain it have spread, we have experienced reduced customer traffic and the temporary reduction of operating hours for our stores as well as temporary store closures where government mandated. The situation is changing daily and there is significant uncertainty going forward. While we cannot predict how long this crisis will last, when it does abate, our industry should rebound. Despite the COVID-19 outbreak, the broad appeal of our value proposition to our geographically diverse core demographic, the unit economics of our business and the current retail real estate market should provide the stability necessary to maintain our business until we can return to normal operations. Further, once the COVID-19 outbreak has been resolved, our brand recognition and long history in our core markets give us the opportunity to further penetrate our existing footprint, particularly as we leverage existing marketing spend, logistics infrastructure, and service footprint. There are also many markets in the U.S. with demographic characteristics similar to those in our existing footprint, which provides substantial opportunities for future growth. We plan to improve our operating results by leveraging our existing infrastructure and seeking to continually optimize the efficiency of our marketing, merchandising, distribution and credit operations. As we expand in existing markets and penetrate new markets, we expect to increase our purchase volumes, achieve distribution efficiencies and strengthen our relationships with our key vendors. Over time, we also expect our increased store base and higher net sales to further leverage our existing corporate and regional infrastructure.

Results of Operations

The following tables present certain financial and other information, on a consolidated basis:

Consolidated:	Year Ended January 31,			Change	
(in thousands)	**2020**	**2019**	**2018**	**2020 vs. 2019**	**2019 vs. 2018**
Revenues:					
Total net sales	$ 1,163,235	$ 1,194,674	$ 1,191,967	$ (31,439)	$ 2,707
Finance charges and other revenues	380,451	355,139	324,064	25,312	31,075
Total revenues	**1,543,686**	**1,549,813**	**1,516,031**	**(6,127)**	**33,782**
Costs and expenses:					
Cost of goods sold	697,784	702,135	720,344	(4,351)	(18,209)
Selling, general and administrative expense	503,024	480,561	450,413	22,463	30,148
Provision for bad debts	205,217	198,082	216,875	7,135	(18,793)
Charges and credits	3,142	7,780	13,331	(4,638)	(5,551)
Total costs and expenses	**1,409,167**	**1,388,558**	**1,400,963**	**20,609**	**(12,405)**
Operating income	**134,519**	**161,255**	**115,068**	**(26,736)**	**46,187**
Interest expense	59,107	62,704	80,160	(3,597)	(17,456)
Loss on extinguishment of debt	1,094	1,773	3,274	(679)	(1,501)
Income before income taxes	**74,318**	**96,778**	**31,634**	**(22,460)**	**65,144**
Provision for income taxes	18,314	22,929	25,171	(4,615)	(2,242)
Net income	**$ 56,004**	**$ 73,849**	**$ 6,463**	**$ (17,845)**	**$ 67,386**

Supplementary Operating Segment Information

Operating segments are defined as components of an enterprise that engage in business activities and for which discrete financial information is available that is evaluated on a regular basis by the chief operating decision maker to make decisions about how to allocate resources and assess performance. We are a leading specialty retailer and offer a broad selection of quality, branded durable consumer goods and related services in addition to a proprietary credit solution for our core credit-constrained consumers. We have two operating segments: (i) retail and (ii) credit. Our operating segments complement one another. The retail segment operates primarily through our stores and website and its product offerings include furniture and mattresses, home appliances, consumer electronics and home office products from leading global brands across a wide range of price points. Our credit segment offers affordable financing solutions to a large, under-served population of credit-constrained consumers who typically have limited credit alternatives. Our operating segments provide customers the opportunity to comparison shop across brands with confidence in our competitive prices as well as affordable monthly payment options, next day delivery and installation in the majority of our markets, and product repair service. We believe our large, attractively merchandised retail stores and credit solutions offer a distinctive value proposition compared to other retailers that target our core customer demographic. The operating segments follow the same accounting policies used in our consolidated financial statements.

We evaluate a segment's performance based upon operating income. SG&A includes the direct expenses of the retail and credit operations, allocated corporate overhead expenses, and a charge to the credit segment to reimburse the retail segment for expenses it incurs related to occupancy, personnel, advertising and other direct costs of the retail segment which benefit the credit operations by sourcing credit customers and collecting payments. The reimbursement received by the retail segment from the credit segment is calculated using an annual rate of 2.5% multiplied by the average outstanding portfolio balance for each applicable period.

The following table represents total revenues, costs and expenses, operating income (loss) and income (loss) before taxes attributable to these operating segments for the periods indicated:

Retail Segment:	Year Ended January 31,			Change	
(dollars in thousands)	**2020**	**2019**	**2018**	**2020 vs. 2019**	**2019 vs. 2018**
Revenues:					
Product sales	$ 1,042,424	$ 1,078,635	$ 1,077,874	$ (36,211)	$ 761
Repair service agreement commissions	106,997	101,928	100,383	5,069	1,545
Service revenues	13,814	14,111	13,710	(297)	401
Total net sales	1,163,235	1,194,674	1,191,967	(31,439)	2,707
Finance charges and other	810	447	341	363	106
Total revenues	**1,164,045**	**1,195,121**	**1,192,308**	**(31,076)**	**2,813**
Costs and expenses:					
Cost of goods sold	697,784	702,135	720,344	(4,351)	(18,209)
Selling, general and administrative expense (1)	346,108	328,628	316,325	17,480	12,303
Provision for bad debts	905	1,009	829	(104)	180
Charges and credits	1,933	2,980	13,331	(1,047)	(10,351)
Total costs and expenses	**1,046,730**	**1,034,752**	**1,050,829**	**11,978**	**(16,077)**
Operating income	**$ 117,315**	**$ 160,369**	**$ 141,479**	**$ (43,054)**	**$ 18,890**
Number of stores:					
Beginning of fiscal year	123	116	113		
Opened	14	7	3		
End of fiscal year	137	123	116		

Credit Segment:	Year Ended January 31,			Change	
(in thousands)	**2020**	**2019**	**2018**	**2020 vs. 2019**	**2019 vs. 2018**
Revenues:					
Finance charges and other revenues	$ 379,641	$ 354,692	$ 323,723	$ 24,949	$ 30,969
Costs and expenses:					
Selling, general and administrative expense (1)	156,916	151,933	134,088	4,983	17,845
Provision for bad debts	204,312	197,073	216,046	7,239	(18,973)
Charges and credits	1,209	4,800	—	(3,591)	4,800
Total costs and expenses	**362,437**	**353,806**	**350,134**	**8,631**	**3,672**
Operating income (loss)	**17,204**	**886**	**(26,411)**	**16,318**	**27,297**
Interest expense	59,107	62,704	80,160	(3,597)	(17,456)
Loss on extinguishment of debt	1,094	1,773	3,274	(679)	(1,501)
Loss before income taxes	**$ (42,997)**	**$ (63,591)**	**$ (109,845)**	**$ 20,594**	**$ 46,254**

(1) For the years ended January 31, 2020, 2019 and 2018, the amount of overhead allocated to each segment reflected in SG&A was $30.0 million, $36.4 million and $27.6 million, respectively. For the years ended January 31, 2020, 2019 and 2018, the amount of reimbursement made to the retail segment by the credit segment was $39.1 million, $38.1 million and $37.4 million, respectively.

Year ended January 31, 2020 compared to the year ended January 31, 2019

Revenues. The following table provides an analysis of retail net sales by product category in each period, including repair service agreement commissions and service revenues, expressed both in dollar amounts and as a percent of total net sales:

	Year Ended January 31,					%	Same Store
(dollars in thousands)	2020	% of Total	2019	% of Total	Change	Change	% Change
Furniture and mattress	$ 370,931	31.9%	$ 382,975	32.1%	$ (12,044)	(3.1)%	(7.8)%
Home appliance	360,441	31.0	332,609	27.8	27,832	8.4	2.3
Consumer electronics	221,449	19.0	262,088	21.9	(40,639)	(15.5)	(20.4)
Home office	73,074	6.3	86,260	7.2	(13,186)	(15.3)	(18.4)
Other	16,529	1.4	14,703	1.2	1,826	12.4	4.9
Product sales	1,042,424	89.6	1,078,635	90.2	(36,211)	(3.4)	(8.3)
Repair service agreement commissions [(1)]	106,997	9.2	101,928	8.5	5,069	5.0	(7.3)
Service revenues	13,814	1.2	14,111	1.3	(297)	(2.1)	
Total net sales	$ 1,163,235	100.0%	$ 1,194,674	100.0%	$ (31,439)	(2.6)%	(8.2)%

(1) The total change in sales of repair service agreement commissions includes retrospective commissions, which are not reflected in the change in same store sales.

The decrease in product sales for the year ended January 31, 2020 was primarily due to a decrease in same store sales of 8.2%, partially offset by new store growth. The decrease in same store sales was 14.0% in markets impacted by Hurricane Harvey and 7.1% in markets not impacted by Hurricane Harvey. We believe the decrease in markets impacted by Hurricane Harvey were impacted by rebuilding efforts during the year ended January 31, 2019. The decrease in same store sales reflects a combination of significant price deflation for premium large screen televisions and an increase in production by second- and third-tier manufacturers, which has made cash purchases of large screen televisions more accessible to our core customer, negatively impacted same store sales during the year ended January 31, 2020. In addition, underwriting adjustments made during the year ended January 31, 2020 further negatively impacted same store sales.

The following table provides the change of the components of finance charges and other revenues:

	Year Ended January 31,		
(in thousands)	2020	2019	Change
Interest income and fees	$ 341,224	$ 325,136	$ 16,088
Insurance income	38,417	29,556	8,861
Other revenues	810	447	363
Finance charges and other revenues	$ 380,451	$ 355,139	$ 25,312

The increase in interest income and fees was due to an increase in the yield rate to 21.8% for the year ended January 31, 2020 from 21.3% for the year ended January 31, 2019, an increase of 50 basis points, and by an increase of 2.7% in the average outstanding balance of the customer accounts receivable portfolio. The increase in the yield rate resulted from the origination of our higher-yielding direct loan product, which represented approximately 75% of our fiscal year 2020 originations. In addition, insurance income contributed to an increase in credit revenue over the prior year period primarily due to an increase in insurance retrospective income for the year ended January 31, 2020.

The following table provides key portfolio performance information:

(dollars in thousands)	Year Ended January 31, 2020	2019	Change
Interest income and fees	$ 341,224	$ 325,136	$ 16,088
Net charge-offs	(196,795)	(194,017)	(2,778)
Interest expense	(59,107)	(62,704)	3,597
Net portfolio income	$ 85,322	$ 68,415	$ 16,907
Average outstanding portfolio balance	$ 1,567,878	$ 1,526,728	$ 41,150
Interest income and fee yield	21.8%	21.3%	
Net charge-off %	12.6%	12.7%	

Retail Gross Margin

(dollars in thousands)	Year Ended January 31, 2020	2019	Change
Retail total net sales	$ 1,163,235	$ 1,194,674	$ (31,439)
Cost of goods sold	697,784	702,135	(4,351)
Retail gross margin	$ 465,451	$ 492,539	$ (27,088)
Retail gross margin percentage	40.0%	41.2%	

The decrease in retail gross margin was primarily driven by higher margins realized in fiscal year 2019 due to the one-time benefit of increases in appliance retail pricing related to tariff adjustments and the associated forward purchases of inventory, coupled with increased logistics costs to help support future growth in fiscal year 2020. The decrease was partially offset by an increase in retrospective income on our RSAs for the year ended January 31, 2020.

Selling, General and Administrative Expense

(dollars in thousands)	Year Ended January 31, 2020	2019	Change
Retail segment	$ 346,108	$ 328,628	$ 17,480
Credit segment	156,916	151,933	4,983
Selling, general and administrative expense - Consolidated	$ 503,024	$ 480,561	$ 22,463
Selling, general and administrative expense as a percent of total revenues	32.6%	31.0%	

The SG&A increase in the retail segment was primarily due to an increase in new store occupancy costs, compensation costs and advertising expense, partially offset by a decrease in the corporate overhead allocation. The SG&A increase in the credit segment was primarily due to an increase in general operational expenses and third-party legal expenses related to collection efforts on charged off accounts. As a percent of average total customer portfolio balance, SG&A for the credit segment for the year ended January 31, 2020 remained flat at 10.0% as compared to the year ended January 31, 2019. The decrease in the corporate overhead allocation made to each of the segments was driven by a decrease in employee incentive compensation costs.

Provision for Bad Debts

(dollars in thousands)	Year Ended January 31, 2020	2019	Change
Retail segment	$ 905	$ 1,009	$ (104)
Credit segment	204,312	197,073	7,239
Provision for bad debts - Consolidated	$ 205,217	$ 198,082	$ 7,135
Provision for bad debts - Credit segment, as a percent of average outstanding portfolio balance	13.0%	12.9%	

The provision for bad debts increased to $205.2 million for the year ended January 31, 2020 from $198.1 million for the year ended January 31, 2019, an increase of $7.1 million. The increase was driven by a greater increase in the allowance for bad debts during the year ended January 31, 2020 compared to the year ended January 31, 2019, and by a year-over-year increase in

net charge-offs of $2.8 million. The increase in the allowance for bad debts for the year ended January 31, 2020 was primarily driven by a year-over-year increase in the incurred loss rate, first payment default and delinquency rates compared to the year ended January 31, 2019, partially offset by an increase in customer recovery rate.

Charges and Credits

	Year Ended January 31,		
(in thousands)	2020	2019	Change
Store and facility closure and relocation costs	$ 1,933	$ —	$ 1,933
Legal and professional fees and related reserves associated with the exploration of strategic alternatives, securities-related litigation, a legal judgment and other legal matters	—	5,100	(5,100)
Indirect tax audit reserve	—	1,943	(1,943)
Employee severance	—	737	(737)
Write-off of capitalized software costs	1,209	—	1,209
	$ 3,142	$ 7,780	$ (4,638)

During the year ended January 31, 2020, we recognized $3.2 million in impairments from the exiting of certain leases upon the relocation of three distribution centers into one facility. These facility closure costs were offset by a $0.7 million gain from increased sublease income related to the consolidation of our corporate headquarters and a $0.6 million gain from the sale of a cross-dock. In addition, we recognized $1.2 million in impairments of software costs for a loan management system that was abandoned during the third quarter of fiscal year 2020 related to the implementation of a new loan management system. During the year ended January 31, 2019, we recorded a contingency reserve related to a regulatory matter, a charge related to an increase in our indirect tax audit reserve, severance costs related to a change in the executive management team and costs related to a judgment in favor of TF LoanCo ("TFL") requiring Conn's to pay approximately $4.8 million to TFL related to a breach of contract lawsuit brought by the Company.

Interest Expense

Interest expense decreased to $59.1 million for the year ended January 31, 2020 from $62.7 million for the year ended January 31, 2019, a decrease of $3.6 million. The decrease was driven by a lower weighted average cost of borrowing and a lower average outstanding balance of debt.

Loss on Extinguishment of Debt

During the year ended January 31, 2020, we wrote-off $1.1 million of debt issuance costs related to an amendment of our revolving credit facility that effected the resignation of Bank of America, N.A. as agent and lender, and replaced it with JPMorgan Chase Bank, N.A. as agent. During the year ended January 31, 2019, we recorded a $1.8 million loss on extinguishment of debt primarily related to the early retirement of our Series 2016-B Class B Notes (the "2016-B Redeemed Notes") and the Series 2017-A Class B and Class C Notes (the "2017-A Redeemed Notes").

Provision for Income Taxes

	Year Ended January 31,		
(dollars in thousands)	2020	2019	Change
Provision for income taxes	$ 18,314	$ 22,929	$ (4,615)
Effective tax rate	24.6%	23.7%	

The decrease in the income tax expense for the year ended January 31, 2020 compared to the year ended January 31, 2019 was primarily driven by a $22.5 million decrease of pre-tax book income.

Year ended January 31, 2019 compared to the year ended January 31, 2018

Revenues. The following table provides an analysis of retail net sales by product category in each period, including RSA commissions and service revenues, expressed both in dollar amounts and as a percent of total net sales:

	Years Ended January 31,					%	Same store
(dollars in thousands)	2019	% of Total	2018	% of Total	Change	Change	% change
Furniture and mattress [(1)]	$ 382,975	32.1%	$ 393,853	33.0%	$ (10,878)	(2.8)%	(4.4)%
Home appliance	332,609	27.8	337,538	28.3	(4,929)	(1.5)	(3.4)
Consumer electronics [(1)]	262,088	21.9	248,727	20.9	13,361	5.4	2.2
Home office [(1)]	86,260	7.2	80,330	6.7	5,930	7.4	6.7
Other	14,703	1.3	17,426	1.5	(2,723)	(15.6)	(18.2)
Product sales	1,078,635	90.3	1,077,874	90.4	761	0.1	(2.0)
Repair service agreement commissions [(2)]	101,928	8.5	100,383	8.4	1,545	1.5	(4.1)
Service revenues	14,111	1.2	13,710	1.2	401	2.9	
Total net sales	$ 1,194,674	100.0%	$ 1,191,967	100.0%	$ 2,707	0.2 %	(2.2)%

(1) During the year ended January 31, 2018, we reclassified certain products from the consumer electronics and home office product categories into the furniture and mattress product category. Net sales of these products reflected in the consumer electronics and home office product categories for the year ended January 31, 2018 were $11.4 million and $3.2 million, respectively. The change in same store sales reflects the current product classification for both periods presented.

(2) The total change in sales of repair service agreement commissions includes retrospective commissions, which are not reflected in the change in same store sales.

The increase in product sales for fiscal year 2019 was due to new store growth and an increase in sales through our lease-to-own partner, offset by a decrease in same store sales. The decrease in same store sales is a function of a decrease in same store sales in markets impacted by Hurricane Harvey of 5.2% and a decrease in same store sales in markets not impacted by Hurricane Harvey of 1.0%.

The following table provides the change of the components of finance charges and other revenues:

	Year Ended January 31,		
(in thousands)	2019	2018	Change
Interest income and fees	$ 325,136	$ 289,005	$ 36,131
Insurance income	29,556	34,718	(5,162)
Other revenues	447	341	106
Finance charges and other revenues	$ 355,139	$ 324,064	$ 31,075

The increase in interest income and fees was due to an increase in the yield rate to 21.3% for the year ended January 31, 2019 from 19.3% for the year ended January 31, 2018, an increase of 200 basis points, and by an increase of 1.7% in the average outstanding balance of the customer accounts receivable portfolio. The increase in the yield rate resulted from the origination of our higher-yielding direct loan product, which represented approximately 78% of our fiscal year 2019 originations. Insurance income decreased over the prior year period primarily due to a decrease in retrospective income as a result of higher claim volumes related to Hurricane Harvey in addition to a reduction in premium rates in certain states.

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The following table provides key portfolio performance information:

	Year Ended January 31,		
(dollars in thousands)	**2019**	**2018**	**Change**
Interest income and fees	$ 325,136	$ 289,005	$ 36,131
Net charge-offs	(194,017)	(226,798)	32,781
Interest expense	(62,704)	(80,160)	17,456
Net portfolio loss	$ 68,415	$ (17,953)	$ 86,368
Average outstanding portfolio balance	$ 1,526,728	$ 1,500,700	$ 26,028
Interest income and fee yield	21.3%	19.3%	
Net charge-off %	12.7%	15.1%	

Retail Gross Margin

	Year Ended January 31,		
(dollars in thousands)	**2019**	**2018**	**Change**
Retail total net sales	$ 1,194,674	$ 1,191,967	$ 2,707
Cost of goods sold	702,135	720,344	(18,209)
Retail gross margin	$ 492,539	$ 471,623	$ 20,916
Retail gross margin percentage	41.2%	39.6%	

The increase in retail gross margin percentage was driven by improved product margin across all product categories, favorable product mix and lower warehouse, delivery and transportation expenses as a result of increased efficiencies. Enhancements to product assortments and shifts in product sales mix towards higher margin items have driven increases to margin in most product categories.

Selling, General and Administrative Expense

	Year Ended January 31,		
(dollars in thousands)	**2019**	**2018**	**Change**
Retail segment	$ 328,628	$ 316,325	$ 12,303
Credit segment	151,933	134,088	17,845
Selling, general and administrative expense - Consolidated	$ 480,561	$ 450,413	$ 30,148
Selling, general and administrative expense as a percent of total revenues	31.0%	29.7%	

The SG&A increase in the retail segment was primarily due to an increase in compensation costs, an increase in new store occupancy costs, an increase in professional fees and an increase in the corporate overhead allocation, offset by a decrease in advertising expense and a decrease in Hurricane Harvey-related expenses. The SG&A increase in the credit segment was primarily due to an increase in compensation costs, third-party legal expenses related to collection efforts on charged off accounts, expenses related to information technology investments and the corporate overhead allocation. As a percent of average total customer portfolio balance, SG&A for the credit segment for the year ended January 31, 2019 increased 110 basis points as compared to the year ended January 31, 2018. The increase in the corporate overhead allocation made to each of the segments was driven by investments we are making in information technology, other personnel to support long-term performance improvement initiatives and an increase in compensation costs.

Provision for Bad Debts

	Year Ended January 31,		
(dollars in thousands)	**2019**	**2018**	**Change**
Retail segment	$ 1,009	$ 829	$ 180
Credit segment	197,073	216,046	(18,973)
Provision for bad debts - Consolidated	$ 198,082	$ 216,875	$ (18,793)
Provision for bad debts - Credit segment, as a percent of average outstanding portfolio balance	12.9%	14.4%	

The provision for bad debts decreased to $198.1 million for the year ended January 31, 2019 from $216.9 million for the year ended January 31, 2018, a decrease of $18.8 million. The decrease was driven by a year-over-year reduction in net charge-offs of $32.8 million, partially offset by an increase in the allowance for bad debts during the year ended January 31, 2019 compared to a decrease in the allowance during the year ended January 31, 2018. The increase in the allowance for bad debts as of January 31, 2019 was primarily driven by a year over year increase in the customer accounts receivable portfolio balance, compared to a year over year decrease in the customer accounts receivable portfolio balance as of January 31, 2018.

Charges and Credits

(in thousands)	Year Ended January 31, 2019	Year Ended January 31, 2018	Change
Store and facility closure and relocation costs	$ —	$ 2,381	$ (2,381)
Legal and professional fees and related reserves associated with the exploration of strategic alternatives, securities-related litigation and other legal matters	5,100	1,177	3,923
Indirect tax audit reserve	1,943	2,595	(652)
Employee severance and executive management transition costs	737	1,317	(580)
Write-off of capitalized software costs	—	5,861	(5,861)
	$ 7,780	$ 13,331	$ (5,551)

During the year ended January 31, 2019, we recorded a contingency reserve related to a regulatory matter, a charge related to an increase in our indirect tax audit reserve, severance costs related to a change in the executive management team and costs related to the TF LoanCo ("TFL") judgment. Refer to Note 4, *Charges and Credits*, for additional information about the TFL judgment. During the year ended January 31, 2018, we incurred exit costs associated with reducing the square footage of a distribution center and consolidating our corporate headquarters, severance costs related to a change in the executive management team, a charge related to an increase in our indirect tax audit reserve, a loss from the write-off of previously capitalized costs for a software project that was abandoned during fiscal year 2018 related to the implementation of a new point of sale system that began in fiscal year 2013, and contingency reserves related to legal matters.

Interest Expense

Interest expense decreased to $62.7 million for the year ended January 31, 2019 from $80.2 million for the year ended January 31, 2018, a decrease of $17.5 million. The decrease was driven by a lower weighted average cost of borrowing and a lower average outstanding balance of debt.

Loss on Extinguishment of Debt

During the year ended January 31, 2019, we recorded a $1.8 million loss on extinguishment of debt primarily related to the early retirement of our 2016-B Class B Notes (the "2016-B Redeemed Notes") and the Series-A Class B and Class C Notes (the "2017-A Redeemed Notes"). During the year ended January 31, 2018, we wrote-off $3.3 million of debt issuance costs related to an amendment to our revolving credit facility for lenders that did not continue to participate and the early retirement of our Series 2015-A Class B Notes (the "2015-A Redeemed Notes"), Series 2016-A Class B Notes and Class C Notes (collectively the "2016-A Redeemed Notes") and the notes ("Warehouse Notes") issued in connection with a receivables warehouse financing transaction entered into on August 8, 2017.

Provision (benefit) for Income Taxes

(dollars in thousands)	Year Ended January 31, 2019	Year Ended January 31, 2018	Change
Provision for income taxes	$ 22,929	$ 25,171	$ (2,242)
Effective tax rate	23.7%	79.6%	

The decrease in the income tax expense for the year ended January 31, 2019 compared to the year ended January 31, 2018 was primarily driven by a remeasurement of deferred tax assets and liabilities in connection with H.R. 1, originally known as the Tax Cuts and Jobs Act (the "Tax Act") resulting in an increase to the provision for income taxes of $13.4 million for fiscal year 2018 and a decrease in our effective tax rate pursuant to the Tax Act, which reduced the federal statutory income tax rate from 35% to 21%, partially offset by an increase in taxable income.

Impact of Inflation and Changing Prices

We do not believe that inflation has had a material effect on our net sales or results of operations. However, significant increases in oil and gasoline prices could adversely affect our customers' shopping decisions and payment patterns. We rely heavily on our distribution system and our next day delivery policy to satisfy our customers' needs and desires, and increases in oil and gasoline prices could result in increased distribution costs and delivery charges. If we are unable to effectively pass increased transportation costs on to the consumer, either by increased delivery costs or higher prices, such costs could adversely affect our results of operations. Conversely, significant decreases in oil and gasoline prices could negatively impact certain local economies in regions in which we have stores, impacting our customer's employment or income, which could adversely affect our sales and collection of customer receivables. In addition, the cost of items we purchase may increase or shortages of these items may arise as a result of changes in trade regulations, currency fluctuations, border taxes, import tariffs, or other factors beyond our control. Throughout 2018 and 2019, the U.S. imposed tariffs on imports from several countries, including China. While many of the products that we sell are manufactured in foreign jurisdictions, including China, such tariffs have had a minimal impact on our business to date.

Seasonality

Our business is seasonal which typically means that a higher portion of sales and operating profit are realized during the fourth quarter due primarily to the holiday selling season. In addition, during the first quarter, our portfolio performance benefits from the timing of personal income tax refunds received by our customers, which typically results in higher cash collection rates.

Quarterly Results of Operations

Our quarterly results may fluctuate materially depending on factors such as the following:

- timing of new product introductions, new store openings and store relocations;
- sales contributed by new stores;
- changes in our merchandise mix;
- increases or decreases in comparable store sales;
- changes in delinquency rates and amount of charge-offs with respect to customer accounts receivable;
- the pace of growth or decline in the customer accounts receivable balance;
- adverse weather conditions;
- shifts in the timing of certain holidays and promotions; and
- charges incurred in connection with store closures or other non-routine events.

Results for any quarter are not necessarily indicative of the results that may be achieved for any other quarter or for a full fiscal year.

Customer Accounts Receivable Portfolio

We provide in-house financing to individual consumers on a short- and medium-term basis (contractual terms generally range from 12 to 36 months) for the purchase of durable products for the home. A significant portion of our customer credit portfolio is due from customers that are considered higher-risk, subprime borrowers. Our financing is executed using contracts that require fixed monthly payments over fixed terms. We maintain a secured interest in the product financed. If a payment is delayed, missed or paid only in part, the account becomes delinquent. Our collection personnel attempt to contact a customer once their account becomes delinquent. Our loan contracts generally reflect an interest rate of between 18% and 36%. We have implemented our direct consumer loan program across all Texas, Louisiana, Tennessee and Oklahoma locations. The states of Texas, Louisiana, Tennessee and Oklahoma represent approximately 75% of our fiscal year 2020 originations, with maximum equivalent interest rates of up to 27% in Oklahoma, up to 30% in Texas and Tennessee, and up to 36% in Louisiana. In states where regulations do not generally limit the interest rate charged, our loan contracts generally reflect an interest rate between 29.99% and 35.99%. These states represented 12% of our fiscal year 2020 originations.

We offer qualified customers a 12-month no-interest option finance program. If the customer is delinquent in making a scheduled monthly payment or does not repay the principal in full by the end of the no-interest option program period (grace periods are provided), the account does not qualify for the no-interest provision and none of the interest earned is waived.

We regularly extend or "re-age" a portion of our delinquent customer accounts as a part of our normal collection procedures to protect our investment. Generally, extensions are granted to customers who have experienced a financial difficulty (such as the temporary loss of employment), which is subsequently resolved, and when the customer indicates a willingness and ability to resume making monthly payments. These re-ages involve modifying the payment terms to defer a portion of the cash payments currently required of the debtor to help the debtor improve his or her financial condition and eventually be able to pay the account

balance. Our re-aging of customer accounts does not change the interest rate or the total principal amount due from the customer and typically does not reduce the monthly contractual payments. We may also charge the customer an extension fee, which approximates the interest owed for the time period the contract was past due. Our re-age programs consist of extensions and two payment updates, which include unilateral extensions to customers who make two full payments in three calendar months in certain states. Re-ages are not granted to debtors who demonstrate a lack of intent or ability to service the obligation or have reached our limits for account re-aging. To a much lesser extent, we may provide the customer the ability to re-age their obligation by refinancing the account, which typically does not change the interest rate or the total principal amount due from the customer but does reduce the monthly contractual payments and extends the term. Under these options, as with extensions, the customer must resolve the reason for delinquency and show a willingness and ability to resume making contractual monthly payments.

The following tables present, for comparison purposes, information about our managed portfolio (information reflects on a combined basis the securitized receivables transferred to the VIEs and receivables not transferred to the VIEs):

	January 31,		
	2020	**2019**	**2018**
Weighted average credit score of outstanding balances [1]	591	593	591
Average outstanding customer balance	$ 2,734	$ 2,677	$ 2,443
Balances 60+ days past due as a percentage of total customer portfolio carrying value [2][3][7]	12.5%	9.5%	9.7%
Re-aged balance as a percentage of total customer portfolio carrying value [2][3][4][5]	29.4%	25.7%	24.6%
Carrying value of account balances re-aged more than six months (in thousands) [3]	$ 112,410	$ 94,404	$ 76,066
Allowance for bad debts and uncollectible interest as a percentage of total customer accounts receivable portfolio balance	14.6%	13.5%	13.3%
Percent of total customer accounts receivable portfolio balance represented by no-interest option receivables	17.7%	22.9%	21.2%

	Year Ended January 31,		
	2020	**2019**	**2018**
Total applications processed [6]	1,235,712	1,221,262	1,278,809
Weighted average origination credit score of sales financed [1]	608	609	610
Percent of total applications approved and utilized	27.0%	29.6%	30.4%
Average income of credit customer at origination	$ 45,800	$ 44,800	$ 43,400
Percent of retail sales paid for by:			
In-house financing, including down payments received	67.6%	70.1%	71.0%
Third-party financing	17.8%	15.7%	16.1%
Third-party lease-to-own option	7.0%	7.5%	5.9%
	92.4%	93.3%	93.0%

(1) Credit scores exclude non-scored accounts.

(2) Accounts that become delinquent after being re-aged are included in both the delinquency and re-aged amounts.

(3) Carrying value reflects the total customer accounts receivable portfolio balance, net of deferred fees and origination costs, the allowance for no-interest option credit programs and the allowance for uncollectible interest.

(4) First time re-ages related to customers affected by Hurricane Harvey within FEMA-designated disaster areas included in the re-aged balance as of January 31, 2020 and January 31, 2019 were 0.6% and 1.7%, respectively, of the total customer portfolio carrying value.

(5) First time re-ages related to customers affected by Tropical Storm Imelda within FEMA-designated disaster areas included in the re-aged balance as of January 31, 2020 were 0.4% of the total customer portfolio carrying value.

(6) The total applications processed during the year ended January 31, 2018, we believe, reflect the impact of the rebuilding efforts following Hurricane Harvey.

(7) Increase in delinquency was primarily driven by underwriting adjustments made earlier in the year, an increase in new customers and difficulties in collections efforts related to the implementation of the Company’s new loan management system.

Our customer portfolio balance and related allowance for uncollectible accounts are segregated between customer accounts receivable and restructured accounts. Customer accounts receivable include all accounts for which payment term has not been cumulatively extended over three months or refinanced. Restructured accounts includes all accounts for which payment term has been re-aged in excess of three months or refinanced.

For customer accounts receivable (excluding restructured accounts), the allowance for uncollectible accounts as a percentage of the total customer accounts receivable portfolio balance remained flat at 10.5% as of January 31, 2020 compared to 10.5% as of January 31, 2019. Although the change is flat year-over-year, we experienced an increase in our allowance for uncollectible accounts related to an increase in our non-TDR re-age balances and an increase in delinquency which was primarily driven by underwriting adjustments made earlier in the year, an increase in new customer mix and difficulties in collections efforts related to the implementation of our new loan management system. Offsetting this increase was a decline in the non-TDR loss rate, which was driven by lower experienced charge-off rates, and an increase in customer recoveries.

For restructured accounts, the allowance for uncollectible accounts as a percentage of the portfolio balance was 40.0% as of January 31, 2020 as compared to 36.1% as of January 31, 2019. The increase in the allowance for uncollectible accounts was due to an increase in delinquency.

The percent of bad debt charge-offs, net of recoveries, to average outstanding portfolio balance was 12.6% for fiscal year 2020 compared to 12.7% for fiscal year 2019.

As of January 31, 2020 and 2019, balances under no-interest programs included within customer receivables were $283.2 million and $363.8 million, respectively.

Liquidity and Capital Resources

We require liquidity and capital resources to finance our operations and future growth as we add new stores to our operations, which in turn requires additional working capital for increased customer receivables and inventory. We generally finance our operations through a combination of cash flow generated from operations, the use of our Revolving Credit Facility, and through periodic securitizations of originated customer receivables. We plan to execute periodic securitizations of future originated customer receivables.

We believe, based on our current projections, that we have sufficient sources of liquidity to fund our operations, store expansion and renovation activities, and capital expenditures for at least the next 12 months.

Operating cash flows. For the year ended January 31, 2020, net cash provided by operating activities was $80.1 million compared to $151.8 million for the year ended January 31, 2019. The decrease in net cash provided by operating activities was primarily driven by a decrease in cash provided by working capital, primarily due to general timing of payments and a decrease in accrued compensation, the collection of an income tax refund of $34.5 million during fiscal year 2019 and a decrease in net income when adjusted for non-cash activity.

For the year ended January 31, 2019, net cash provided by operating activities was $151.8 million compared to $50.5 million for the year ended January 31, 2018. The increase in net cash provided by operating activities was primarily driven by an increase in cash provided by working capital, primarily due to more efficient management of inventory, the collection of an income tax refund of $34.5 million during fiscal year 2019 and an increase in net income when adjusted for non-cash activity.

Investing cash flows. For the year ended January 31, 2020, net cash used in investing activities was $56.8 million compared to $32.8 million for the year ended January 31, 2019. The increase was primarily the result of higher capital expenditures due to investments in new stores, renovations and expansions of select existing stores and a new distribution center.

For the year ended January 31, 2019, net cash used in investing activities was $32.8 million compared to $16.9 million for the year ended January 31, 2018. The increase was primarily the result of higher capital expenditures due to investments in new stores, renovations and expansions of select existing stores, and technology investments we are making to support long-term growth.

Financing cash flows. For the year ended January 31, 2020, net cash used in financing activities was $7.3 million compared to net cash used in financing activities of $150.2 million for the year ended January 31, 2019 and net cash used in financing activities of $71.7 million for the year ended January 31, 2018. During the year ended January 31, 2020, we issued 2019-A VIE and 2019-B VIE asset-backed notes resulting in net proceeds to us of approximately $862.0 million, net of transaction costs. The proceeds from the 2019-A VIE and 2019-B VIE asset-backed notes were used to pay down the balance of the Company’s Revolving Credit Facility outstanding at the time of issuance and for other general corporate purposes. Cash collections from the securitized receivables were used to make payments on the asset-backed notes of approximately $559.1 million during the year ended January 31, 2020 compared to approximately $859.5 million in the comparable prior year period. During the year ended January 31, 2020, net payments under our Revolving Credit Facility were $239.6 million compared to net borrowings of $189.5 million during the year ended January 31, 2019.

During the year ended January 31, 2019, the Issuer (as defined below) issued asset-backed notes resulting in net proceeds to us of approximately $355.7 million, net of transaction costs and restricted cash held by the Issuer, which were used to repay indebtedness under the Company's asset-based credit facility and for other general corporate purposes. During the year ended January 31, 2018, the issuance of the 2017-A VIE and 2017-B VIE asset-backed notes and Warehouse Notes resulted in net proceeds to us of approximately $1.10 billion, net of transaction costs and restricted cash. The proceeds from the 2017-A VIE and 2017-B VIE asset-backed notes were used to pay down the entire balance on our Revolving Credit Facility outstanding at the time of issuance and for other general corporate purposes. The proceeds from the Warehouse Notes were used to early retire the 2016-A VIE asset-backed notes. The proceeds from the 2017-B VIE asset-backed notes were also used to pay down the entire balance of the Warehouse Notes.

Share Repurchase Program. On May 30, 2019, our Board of Directors approved a stock repurchase program pursuant to which we had the authorization to repurchase up to $75.0 million of our outstanding common stock. The stock repurchase program expires on May 30, 2020. For the year ended January 31, 2020, we repurchased 3,485,441 shares of our common stock at an average weighted cost per share of $19.02 for an aggregate amount of $66.3 million.

Senior Notes. On July 1, 2014, we issued $250.0 million of the unsecured Senior Notes due July 2022 bearing interest at 7.25%, pursuant to an indenture dated July 1, 2014 (as amended, the "Indenture"), among Conn's, Inc., its subsidiary guarantors (the "Guarantors") and U.S. Bank National Association, as trustee. The effective interest rate of the Senior Notes after giving effect to the discount and issuance costs is 7.8%.

The Indenture restricts the Company's and certain of its subsidiaries' ability to: (i) incur indebtedness; (ii) pay dividends or make other distributions in respect of, or repurchase or redeem, our capital stock ("restricted payments"); (iii) prepay, redeem or repurchase debt that is junior in right of payment to the notes; (iv) make loans and certain investments; (v) sell assets; (vi) incur liens; (vii) enter into transactions with affiliates; and (viii) consolidate, merge or sell all or substantially all of our assets. These covenants are subject to a number of important exceptions and qualifications. During any time when the Senior Notes are rated investment grade by either of Moody's Investors Service, Inc. or Standard & Poor's Ratings Services and no default (as defined in the Indenture) has occurred and is continuing, many of such covenants will be suspended and we will cease to be subject to such covenants during such period. As of January 31, 2020, $190.1 million would have been free from the restricted payments covenant contained in the Indenture. Events of default under the Indenture include customary events, such as a cross-acceleration provision in the event that we fail to make payment of other indebtedness prior to the expiration of any applicable grace period or upon acceleration of indebtedness prior to its stated maturity date in an amount exceeding $25.0 million, as well as in the event a judgment is entered against us in excess of $25.0 million that is not discharged, bonded or insured.

Asset-backed Notes. From time to time, we securitize customer accounts receivables by transferring the receivables to various bankruptcy-remote VIEs. In turn, the VIEs issue asset-backed notes secured by the transferred customer accounts receivables and restricted cash held by the VIEs.

Under the terms of the securitization transactions, all cash collections and other cash proceeds of the customer receivables go first to the servicer and the holders of issued notes, and then to us as the holder of non-issued notes, if any, and residual equity. We retain the servicing of the securitized portfolios and receive a monthly fee of 4.75% (annualized) based on the outstanding balance of the securitized receivables. In addition, we, rather than the VIEs, retain all credit insurance income together with certain recoveries related to credit insurance and repair service agreements on charge-offs of the securitized receivables, which are reflected as a reduction to net charge-offs on a consolidated basis.

The asset-backed notes were offered and sold to qualified institutional buyers pursuant to the exemptions from registration provided by Rule 144A under the Securities Act. If an event of default were to occur under the indenture that governs the respective asset-backed notes, the payment of the outstanding amounts may be accelerated, in which event the cash proceeds of the receivables that otherwise might be released to the residual equity holder would instead be directed entirely toward repayment of the asset-backed notes, or if the receivables are liquidated, all liquidation proceeds could be directed solely to repayment of the asset-backed notes as governed by the respective terms of the asset-backed notes. The holders of the asset-backed notes have no recourse to assets outside of the VIEs. Events of default include, but are not limited to, failure to make required payments on the asset-backed notes or specified bankruptcy-related events.

The asset-backed notes outstanding as of January 31, 2020 consisted of the following:

Asset-Backed Notes	Original Principal Amount	Original Net Proceeds [(1)]	Current Principal Amount	Issuance Date	Maturity Date	Contractual Interest Rate	Effective Interest Rate [(2)]
2017-B Class C Notes	$ 78,640	$ 77,843	$ 59,655	12/20/2017	11/15/2022	5.95%	6.40%
2018-A Class A Notes	219,200	217,832	34,112	8/15/2018	1/17/2023	3.25%	4.82%
2018-A Class B Notes	69,550	69,020	20,572	8/15/2018	1/17/2023	4.65%	5.61%
2018-A Class C Notes	69,550	68,850	20,572	8/15/2018	1/17/2023	6.02%	6.98%
2019-A Class A Notes	254,530	253,026	76,241	4/24/2019	10/16/2023	3.40%	4.85%
2019-A Class B Notes	64,750	64,276	64,750	4/24/2019	10/16/2023	4.36%	5.14%
2019-A Class C Notes	62,510	61,898	62,510	4/24/2019	10/16/2023	5.29%	6.10%
2019-B Class A Notes	317,150	315,417	265,810	11/26/2019	6/17/2024	2.66%	3.63%
2019-B Class B Notes	85,540	84,916	85,540	11/26/2019	6/17/2024	3.62%	4.19%
2019-B Class C Notes	83,270	82,456	83,270	11/26/2019	6/17/2024	4.60%	5.17%
Total	$ 1,304,690	$ 1,295,534	$ 773,032				

(1) After giving effect to debt issuance costs.

(2) For the year ended January 31, 2020, and inclusive of the impact of changes in timing of actual and expected cash flows.

On November 26, 2019, the Company completed the issuance and sale of asset-backed notes at a face amount of $486.0 million secured by the transferred customer accounts receivables and restricted cash held by a VIE, which resulted in net proceeds to us of $482.8 million, net of debt issuance costs. Net proceeds from the offering were used to repay indebtedness under the Company's Revolving Credit Facility, as defined below, and for other general corporate purposes. The asset-backed notes mature on June 17, 2024 and consist of $317.2 million of 2.66% Asset Backed Fixed Rate Notes, Class A, Series 2019-B, $85.5 million of 3.62% Asset Backed Fixed Rate Notes, Class B, Series 2019-B and $83.3 million of 4.60% Asset Backed Fixed Rate Notes, Class C, Series 2019-B.

On April 24, 2019, the Company completed the issuance and sale of asset-backed notes at a face amount of $381.8 million secured by the transferred customer accounts receivables and restricted cash held by a VIE, which resulted in net proceeds to us of $379.2 million, net of debt issuance costs. Net proceeds from the offering were used to repay indebtedness under the Company's Revolving Credit Facility, as defined below, and for other general corporate purposes. The asset-backed notes mature on October 16, 2023 and consist of $254.5 million of 3.40% Asset Backed Fixed Rate Notes, Class A, Series 2019-A, $64.8 million of 4.36% Asset Backed Fixed Rate Notes, Class B, Series 2019-A and $62.5 million of 5.29% Asset Backed Fixed Rate Notes, Class C, Series 2019-A.

Revolving Credit Facility. On May 23, 2018, Conn's, Inc. and certain of its subsidiaries (the "Borrowers") entered into the Fourth Amended and Restated Loan and Security Agreement (the "Fourth Amendment"), dated as of October 30, 2015, with certain lenders, which provides for a $650.0 million asset-based revolving credit facility (as amended, the "Revolving Credit Facility") under which credit availability is subject to a borrowing base and a maturity date of May 23, 2022.

Loans under the Revolving Credit Facility bear interest, at our option, at a rate equal to LIBOR plus the applicable margin ranging from 2.50% to 3.25% per annum (depending on a pricing grid determined by our total leverage ratio) or the alternate base rate plus a margin ranging from 1.50% to 2.25% per annum (depending on a pricing grid determined by our total leverage ratio). The alternate base rate is the greatest of the prime rate, the federal funds effective rate plus 0.5%, or LIBOR for a 30-day interest period plus 1.0%. We also pay an unused fee on the portion of the commitments that is available for future borrowings or letters of credit at a rate ranging from 0.25% to 0.50% per annum, depending on the average outstanding balance and letters of credit of the Revolving Credit Facility in the immediately preceding quarter. The weighted-average interest rate on borrowings outstanding and including unused line fees under the Revolving Credit Facility was 6.4% for the year ended January 31, 2020.

The Revolving Credit Facility provides funding based on a borrowing base calculation that includes customer accounts receivable and inventory, and provides for a $40.0 million sub-facility for letters of credit to support obligations incurred in the ordinary course of business. The obligations under the Revolving Credit Facility are secured by substantially all assets of the Company, excluding the assets of the VIEs. As of January 31, 2020, we had immediately available borrowing capacity of $416.8 million under our Revolving Credit Facility, net of standby letters of credit issued of $2.5 million. We also had $201.6 million that may become available under our Revolving Credit Facility if we grow the balance of eligible customer receivables and total eligible

inventory balances. On March 18, 2020, the Company completed the borrowing of an additional $275.0 million under its $650.0 million Revolving Credit Facility, maturing in May 23, 2022. See Note 18, *Subsequent Events*, for additional details.

The Revolving Credit Facility places restrictions on our ability to incur additional indebtedness, grant liens on assets, make distributions on equity interests, dispose of assets, make loans, pay other indebtedness, engage in mergers, and other matters. The Revolving Credit Facility restricts our ability to make dividends and distributions unless no event of default exists and a liquidity test is satisfied. Subsidiaries of the Company may pay dividends and make distributions to the Company and other obligors under the Revolving Credit Facility without restriction. As of January 31, 2020, we were restricted from making distributions, including repayments of the Senior Notes or other distributions, in excess of $308.6 million as a result of the Revolving Credit Facility distribution restrictions. The Revolving Credit Facility contains customary default provisions, which, if triggered, could result in acceleration of all amounts outstanding under the Revolving Credit Facility.

Debt Covenants. We were in compliance with our debt covenants at January 31, 2020. A summary of the significant financial covenants that govern our Revolving Credit Facility compared to our actual compliance status at January 31, 2020 is presented below:

	Actual	Required Minimum/ Maximum
Interest Coverage Ratio for the quarter must equal or exceed minimum	3.29:1.00	1.00:1.00
Interest Coverage Ratio for the trailing two quarters must equal or exceed minimum	3.34:1.00	1.50:1.00
Leverage Ratio must not exceed maximum	1.98:1.00	4.00:1.00
ABS Excluded Leverage Ratio must not exceed maximum	0.85:1.00	2.00:1.00
Capital Expenditures, net, must not exceed maximum	$32.4 million	$100.0 million

All capitalized terms in the above table are defined by the Revolving Credit Facility and may or may not agree directly to the financial statement captions in this document. The covenants are calculated quarterly, except for capital expenditures, which is calculated for a period of four consecutive fiscal quarters, as of the end of each fiscal quarter.

Capital Expenditures. We lease the majority of our stores under operating leases, and our plans for future store locations anticipate operating leases, but do not exclude store ownership. Our capital expenditures for future new store projects should primarily be for our tenant improvements to the property leased (including any new distribution centers and cross-dock facilities), the cost of which is estimated to be between $1.6 million and $2.5 million per store (before tenant improvement allowances), and for our existing store remodels, estimated to range between $0.7 million and $1.2 million per store remodel (before tenant improvement allowances), depending on store size. In the event we purchase existing properties, our capital expenditures will depend on the particular property and whether it is improved when purchased. We are continuously reviewing new relationships and funding sources and alternatives for new stores, which may include “sale-leaseback” or direct “purchase-lease” programs, as well as other funding sources for our purchase and construction of those projects. If we do not purchase the real property for new stores, our direct cash needs should include only our capital expenditures for tenant improvements to leased properties and our remodel programs for existing stores. We opened 14 new stores during fiscal year 2020, and currently plan to open 6 to 8 new stores during fiscal year 2021. Additionally, we plan to upgrade several of our facilities during fiscal year 2021. Our anticipated capital expenditures for fiscal year 2021 are between $60.0 and $65.0 million.

Cash Flow. We periodically evaluate our liquidity requirements, capital needs and availability of resources in view of inventory levels, expansion plans, debt service requirements and other operating cash needs. To meet our short- and long-term liquidity requirements, including payment of operating expenses, funding of capital expenditures and repayment of debt, we rely primarily on cash from operations. As of January 31, 2020, beyond cash generated from operations we had (i) immediately available borrowing capacity of $416.8 million under our Revolving Credit Facility and (ii) $5.5 million of cash on hand. However, we have, in the past, sought to raise additional capital.

We expect that, for the next 12 months, cash generated from operations, proceeds from potential accounts receivable securitizations and our Revolving Credit Facility will be sufficient to provide us the ability to fund our operations, provide the increased working capital necessary to support our strategy and fund planned capital expenditures discussed above in *Capital expenditures*.

We may repurchase or otherwise retire our debt and take other steps to reduce our debt or otherwise improve our financial position. These actions could include open market debt repurchases, negotiated repurchases, other retirements of outstanding debt and opportunistic refinancing of debt. The amount of debt that may be repurchased or otherwise retired, if any, will depend on market conditions, the Company’s cash position, compliance with debt covenant and restrictions and other considerations.

On March 18, 2020, the Company completed the borrowing of an additional $275.0 million under its $650.0 million Revolving Credit Facility, maturing in May 23, 2022. See Note 18, Subsequent Events, for additional details.

Off-Balance Sheet Liabilities and Other Contractual Obligations

We do not have any off-balance sheet arrangements as defined by Item 303(a)(4) of Regulation S-K. The following table presents a summary of our minimum contractual commitments and obligations as of January 31, 2020:

		Payments due by period			
(in thousands)	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Debt, including estimated interest payments [1]:					
Revolving Credit Facility [1][4]	$ 32,057	$ 1,280	$ 30,777	$ —	$ —
Senior Notes [2]	267,400	16,458	250,942	—	—
2017-B Class C Notes [2]	69,563	3,549	66,014	—	—
2018-A Class A Notes [2]	37,399	1,109	36,290	—	—
2018-A Class B Notes [2]	23,408	957	22,451	—	—
2018-A Class C Notes [2]	24,243	1,238	23,005	—	—
2019-A Class A Notes [2]	85,856	2,592	5,184	78,080	—
2019-A Class B Notes [2]	75,222	2,823	5,646	66,753	—
2019-A Class C Notes [2]	74,777	3,307	6,614	64,856	—
2019-B Class A Notes [2]	296,785	7,071	14,141	275,573	—
2019-B Class B Notes [2]	99,106	3,097	6,193	89,816	—
2019-B Class C Notes [2]	100,050	3,830	7,661	88,559	—
Financing lease obligations	7,323	916	1,577	1,382	3,448
Operating leases:					
Real estate	584,393	77,705	162,896	143,168	200,624
Equipment	1,098	735	363	—	—
Contractual commitments [3]	90,687	83,646	5,781	1,260	—
Total	$ 1,869,367	$ 210,313	$ 645,535	$ 809,447	$ 204,072

(1) Estimated interest payments are based on the outstanding balance as of January 31, 2020 and the interest rate in effect at that time.

(2) The payments due by period for the Senior Notes and asset-backed notes were based on their respective maturity dates at their respective fixed annual interest rate. Actual principal and interest payments on the asset-backed notes will reflect actual proceeds from the securitized customer accounts receivables.

(3) Contractual commitments primarily include commitments to purchase inventory of $64.5 million.

(4) On March 18, 2020, the Company completed the borrowing of an additional $275.0 million under its $650.0 million Revolving Credit Facility, maturing in May 23, 2022. See Note 18, *Subsequent Events*, for additional details.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires us to make estimates that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Certain accounting policies, as described below, are considered “critical accounting policies” because they are particularly dependent on estimates made by us about matters that are inherently uncertain and could have a material impact to our consolidated financial statements. We base our estimates on historical experience and on other assumptions that we believe are reasonable. As a result, actual results could differ because of the use of estimates. A summary of all of our significant accounting policies is included in Note 1, *Summary of Significant Accounting Policies*, of the Consolidated Financial Statements in Part II, Item 8., of this Annual Report on Form 10-K.

Leases. On February 1, 2019, we adopted ASU 2016-02, Leases (Topic 842). We determine if an arrangement is a lease at inception. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our estimated incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. If the estimate of our incremental borrowing rate was changed, our operating lease assets and liabilities could differ materially.

We record lease incentives as a reduction to the operating lease right-of-use assets upon commencement of the lease and amortize the balance on a straight-line basis over the life of the lease. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise the option. Lease expense is recognized on a straight-line basis over the lease term.

We have made a policy election for all classifications of leases to combine lease and non-lease components and to account for them as a single lease component.

Allowance for doubtful accounts. The determination of the amount of the allowance for bad debts is, by nature, highly complex and subjective. Future events that are inherently uncertain could result in material changes to the level of the allowance for bad debts. General economic conditions, changes to state or federal regulations and a variety of other factors that affect the ability of borrowers to service their debts or our ability to collect will impact the future performance of the portfolio.

We establish an allowance for doubtful accounts, including estimated uncollectible interest, to cover probable and estimable losses on our customer accounts receivable resulting from the failure of customers to make contractual payments. Our customer accounts receivable portfolio balance consists of a large number of relatively small, homogeneous accounts. None of our accounts are large enough to warrant individual evaluation for impairment.

We record an allowance for doubtful accounts on our non-TDR customer accounts receivable that we expect to charge-off over the next 12 months based on historical gross charge-off rates over the last 24 months. We incorporate an adjustment to historical gross charge-off rates for a scaled factor of the year-over-year change in six month average first payment default rates and the year-over-year change in the balance of customer accounts receivable that are 60 days or more past due. In addition to adjusted historical gross charge-off rates, estimates of post-charge-off recoveries, including cash payments from customers, amounts realized from the repossession of the products financed, sales tax recoveries from taxing jurisdictions, and payments received under credit insurance and RSA policies are also considered. During the year, we shortened the lookback period used to estimate post-charge-off recoveries for customer balances from a cumulative average collection rate to a 24 month average collection rate. The 24 month lookback period is consistent with the lookback period used elsewhere in the allowance for bad debt calculation and is more closely aligned with current collections practices.

Qualitative adjustments are made to the allowance for bad debts when, based on management's judgment, there are internal or external factors impacting probable incurred losses not taken into account by the quantitative calculations. These qualitative considerations are based on the following factors: changes in lending policies and procedures, changes in economic and business conditions, changes in the nature and volume of the portfolio, changes in lending management, changes in credit quality statistics, changes in concentrations of credit and other internal or external factor changes. We utilize an economic qualitative adjustment based on changes in unemployment rates if current unemployment rates in our markets are worse than they were on average over the last 24 months. We also qualitatively limit the impact of changes in first payment default rates and changes in delinquency when those changes result in a decrease to the allowance for bad debts based on a measure of the dispersion of historical charge-off rates. At January 31, 2020, we made a qualitative adjustment related to changes in the nature of the portfolio of $4.0 million. The qualitative adjustment primarily related to the impact of the performance of certain re-aged accounts.

We determine allowances for those accounts that are TDR based on the discounted present value of cash flows expected to be collected over the life of those accounts based primarily on the performance of TDR loans over the last 24 months. The cash flows are discounted based on the weighted-average effective interest rate of the TDR accounts. The excess of the carrying amount over the discounted cash flow amount is recorded as an allowance for loss on those accounts.

As of January 31, 2020 and 2019, the balance of allowance for doubtful accounts and uncollectible interest for non-TDR customer receivables was $145.7 million and $147.1 million, respectively. As of January 31, 2020 and 2019, the amount included in the allowance for doubtful accounts associated with principal and interest on TDR accounts was $88.1 million and $67.8 million, respectively. A 100 basis point increase in our estimated gross charge-off rate would increase our allowance for doubtful accounts for our customer accounts receivable by $10.3 million over a 12-month period based on the balance outstanding at January 31, 2020.

Interest income on customer accounts receivable. Interest income, which includes interest income and amortization of deferred fees and origination costs, is recorded using the interest method and is reflected in finance charges and other revenues. Typically, interest income is recorded until the customer account is paid off or charged-off, and we provide an allowance for estimated uncollectible interest. Any contractual interest income received from customers in excess of the interest income calculated using the interest method is recorded as deferred revenue on our balance sheets. At January 31, 2020 and 2019, there were $10.6 million and $11.2 million, respectively, of deferred interest included in deferred revenues and other credits and other long-term liabilities. The deferred interest will ultimately be brought into income as the accounts pay off or charge-off.

We offer a 12-month no-interest option program. If the customer is delinquent in making a scheduled monthly payment or does not repay the principal in full by the end of the no-interest option program period (grace periods are provided), the account does not qualify for the no-interest provision and none of the interest earned is waived. Interest income is recognized based on estimated

accrued interest earned to date on all no-interest option finance programs with an offsetting reserve for those customers expected to satisfy the requirements of the program based on our historical experience.

We recognize interest income on TDR accounts using the interest income method, which requires reporting interest income equal to the increase in the net carrying amount of the loan attributable to the passage of time. Cash proceeds and other adjustments are applied to the net carrying amount such that it equals the present value of expected future cash flows.

We place accounts in non-accrual status when legally required. Payments received on non-accrual loans will be applied to principal and reduce the amount of the loan. At January 31, 2020 and 2019, the carrying value of customer accounts receivable in non-accrual status was $12.5 million and $13.9 million, respectively, of which $12.1 million and $12.0 million, respectively, were in bankruptcy status and less than 60 days past due. At January 31, 2020 and 2019, the carrying value of customer accounts receivable that were past due 90 days or more and still accruing interest totaled $132.7 million and $106.5 million, respectively.

Inventories. Inventories consist of merchandise purchased for resale and service parts and are recorded at the lower of cost or net realizable value. The carrying value of the inventory is reduced to its net realizable value for any product lines with excess of carrying amount, typically weighted-average cost, over the amount we expect to realize from the ultimate sale or other disposition of the inventory, with a corresponding charge to cost of sales. The write-down of inventory to net realizable value is estimated based on assumptions regarding inventory aging and historical product sales. A 10% difference in our actual inventory reserve at January 31, 2020, would have affected our cost of goods sold by $0.4 million.

Impairment of Long-Lived Assets. Long-lived assets are evaluated for impairment, primarily at the retail store level. We monitor store performance in order to assess if events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The most likely condition that would necessitate an assessment would be an adverse change in historical and estimated future results of a retail store's performance. For property and equipment held and used, we recognize an impairment loss if the carrying amount is not recoverable through its undiscounted cash flows and measure the impairment loss based on the difference between the carrying amount and estimated fair value. For the year ended January 31, 2020 we recognized $3.2 million in impairments from the exiting of certain leases upon the relocation of three distribution centers into one facility. For the years ended January 31, 2019 and 2018, no impairment charges were recorded.

Vendor allowances. We receive funds from vendors for price protection, product rebates (earned upon purchase or sale of product), marketing, and promotion programs, collectively referred to as vendor allowances, which are recorded on an accrual basis. We estimate the vendor allowances to accrue based on the progress of satisfying the terms of the programs based on actual and projected sales or purchase of qualifying products. If the programs are related to product purchases, the vendor allowances are recorded as a reduction of product cost in inventory still on hand with any remaining amounts recorded as a reduction of cost of goods sold. During the years ended January 31, 2020, 2019 and 2018, we recorded $156.6 million, $143.3 million and $153.0 million, respectively, as reductions in cost of goods sold from vendor allowances.

Recent Accounting Pronouncements

The information related to recent accounting pronouncements as set forth in Note 1, *Summary of Significant Accounting Policies*, of the Consolidated Financial Statements in Part II, Item 8., of this Annual Report on Form 10-K is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The market risk inherent in our financial instruments represents the potential loss arising from adverse changes in interest rates. We have not been materially impacted by fluctuations in foreign currency exchange rates, as substantially all of our business is transacted in, and is expected to continue to be transacted in, U.S. dollars or U.S. dollar-based currencies. Our Senior Notes and asset-backed notes bear interest at a fixed rate and would not be affected by interest rate changes.

Loans under the Revolving Credit Facility bear interest, at our option, at a rate of LIBOR plus a margin ranging from 2.50% to 3.25% per annum (depending on a pricing grid determined by our total leverage ratio) or the alternate base rate plus a margin ranging from 1.50% to 2.25% per annum (depending on a pricing grid determined by our total leverage ratio). The alternate base rate is a rate per annum equal to the greatest of the prime rate announced by Bank of America, N.A., the federal funds rate plus 0.5%, or LIBOR for a 30-day interest period plus 1.0%. Accordingly, changes in our total leverage ratio and LIBOR or the alternate base rate will affect the interest rate on, and therefore our costs under, the Revolving Credit Facility. As of January 31, 2020, the balance outstanding under our Revolving Credit Facility was $29.1 million. A 100 basis point increase in interest rates on the Revolving Credit Facility would increase our borrowing costs by $0.3 million over a 12-month period, based on the balance outstanding at January 31, 2020.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Conn’s, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Conn’s, Inc. and subsidiaries (the Company) as of January 31, 2020 and 2019, the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended January 31, 2020, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at January 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated April 14, 2020 expressed an adverse opinion thereon.

Adoption of New Accounting Standards

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for 1) leases in fiscal year 2020 due to the adoption of ASU No. 2016-02, *Leases* 2) internal-use software in fiscal year 2020 due to the adoption of ASU No. 2018-15, *Intangibles_Goodwill and Other-Internal-Use Software* and 3) recognition of revenue from contracts with customers in fiscal year 2019 due to the adoption of ASU No. 2014-09, *Revenue from Contracts with Customers.*

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2001.

Houston, Texas
April 14, 2020

CONN’S, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share amounts)

	January 31,	
	2020	**2019**
Assets		
Current assets:		
Cash and cash equivalents	$ 5,485	$ 5,912
Restricted cash (includes VIE balances of $73,214 and $57,475, respectively)	75,370	59,025
Customer accounts receivable, net of allowance (includes VIE balances of $393,764 and $324,064, respectively)	673,742	652,769
Other accounts receivable	68,753	67,078
Inventories	219,756	220,034
Income taxes receivable	4,315	407
Prepaid expenses and other current assets	11,445	9,169
Total current assets	**1,058,866**	**1,014,394**
Long-term portion of customer accounts receivable, net of allowances (includes VIE balances of $420,454 and $230,901, respectively)	663,761	686,344
Property and equipment, net	173,031	148,983
Operating lease right-of-use assets	242,457	—
Deferred income taxes	18,599	27,535
Other assets	12,055	7,651
Total assets	**$ 2,168,769**	**$ 1,884,907**
Liabilities and Stockholders’ Equity		
Current liabilities:		
Current maturities of debt and finance lease obligations (includes VIE balances of $0 and $53,635, respectively)	$ 605	$ 54,109
Accounts payable	48,554	71,118
Accrued compensation and related expenses	10,795	27,052
Accrued expenses	52,295	54,381
Operating lease liability - current	35,390	—
Income taxes payable	2,394	8,902
Deferred revenues and other credits	12,237	22,006
Total current liabilities	**162,270**	**237,568**
Deferred rent	—	93,127
Operating lease liability - non current	329,081	—
Long-term debt and finance lease obligations (includes VIE balances of $768,121 and $407,993 respectively)	1,025,535	901,222
Other long-term liabilities	24,703	33,015
Total liabilities	**1,541,589**	**1,264,932**
Commitments and contingencies		
Stockholders’ equity:		
Preferred stock ($0.01 par value, 1,000,000 shares authorized; none issued or outstanding)	—	—
Common stock ($0.01 par value, 100,000,000 shares authorized; 32,125,055 and 31,788,162 shares issued, respectively)	321	318
Treasury stock (at cost; 3,485,441 shares and 0 shares, respectively)	(66,290)	—
Additional paid-in capital	122,513	111,185
Retained earnings	570,636	508,472
Total stockholders’ equity	**627,180**	**619,975**
Total liabilities and stockholders’ equity	**$ 2,168,769**	**$ 1,884,907**

See notes to consolidated financial statements.

CONN'S, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands, except per share amounts)

	Year Ended January 31,		
	2020	**2019**	**2018**
Revenues:			
Product sales	$ 1,042,424	$ 1,078,635	$ 1,077,874
Repair service agreement commissions	106,997	101,928	100,383
Service revenues	13,814	14,111	13,710
Total net sales	1,163,235	1,194,674	1,191,967
Finance charges and other revenues	380,451	355,139	324,064
Total revenues	**1,543,686**	**1,549,813**	**1,516,031**
Costs and expenses:			
Cost of goods sold	697,784	702,135	720,344
Selling, general and administrative expense	503,024	480,561	450,413
Provision for bad debts	205,217	198,082	216,875
Charges and credits	3,142	7,780	13,331
Total costs and expenses	**1,409,167**	**1,388,558**	**1,400,963**
Operating income	**134,519**	**161,255**	**115,068**
Interest expense	59,107	62,704	80,160
Loss on extinguishment of debt	1,094	1,773	3,274
Income before income taxes	**74,318**	**96,778**	**31,634**
Provision for income taxes	18,314	22,929	25,171
Net income	**$ 56,004**	**$ 73,849**	**$ 6,463**
Earnings per share:			
Basic	$ 1.85	$ 2.33	$ 0.21
Diluted	$ 1.82	$ 2.28	$ 0.20
Weighted average common shares outstanding:			
Basic	30,275,662	31,668,370	31,192,439
Diluted	30,814,775	32,374,375	31,777,823

See notes to consolidated financial statements.

CONN'S, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except for number of shares)

	Common Stock		Additional Paid-in	Retained	Treasury Stock		
	Shares	Amount	Capital	Earnings	Shares	Amount	Total
Balance January 31, 2017	**30,961,898**	**$ 310**	**$ 90,276**	**$ 427,204**	**—**	**$ —**	**$ 517,790**
Exercise of options and vesting of restricted stock, net of withholding tax	415,940	3	1,496	—	—	—	1,499
Issuance of common stock under Employee Stock Purchase Plan	57,937	1	635	—	—	—	636
Stock-based compensation	—	—	8,680	—	—	—	8,680
Net income	—	—	—	6,463	—	—	6,463
Balance January 31, 2018	**31,435,775**	**314**	**101,087**	**433,667**	**—**	**—**	**535,068**
Adoption of ASU 2014-09	—	—	—	956	—	—	956
Exercise of options and vesting of restricted stock, net of withholding tax	317,465	3	(2,957)	—	—	—	(2,954)
Issuance of common stock under Employee Stock Purchase Plan	34,922	1	838	—	—	—	839
Stock-based compensation	—	—	12,217	—	—	—	12,217
Net income	—	—	—	73,849	—	—	73,849
Balance January 31, 2019	**31,788,162**	**318**	**111,185**	**508,472**	**—**	**—**	**619,975**
Adoption of ASU 2016-02	—	—	—	6,160	—	—	6,160
Exercise of options and vesting of restricted stock, net of withholding tax	283,434	2	(1,987)	—	—	—	(1,985)
Issuance of common stock under Employee Stock Purchase Plan	53,459	1	765	—	—	—	766
Stock-based compensation	—	—	12,550	—	—	—	12,550
Common stock repurchase	—	—	—	—	(3,485,441)	(66,290)	(66,290)
Net income	—	—	—	56,004	—	—	56,004
Balance January 31, 2020	**32,125,055**	**$ 321**	**$ 122,513**	**$ 570,636**	**(3,485,441)**	**$ (66,290)**	**$ 627,180**

See notes to consolidated financial statements.

CONN'S, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended January 31,		
	2020	**2019**	**2018**
Cash flows from operating activities:			
Net income	$ 56,004	$ 73,849	$ 6,463
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	36,841	31,584	30,806
Change in right-of-use asset	27,577	—	—
Amortization of debt issuance costs	9,828	10,640	16,712
Provision for bad debts and uncollectible interest	269,295	250,076	261,662
Stock-based compensation expense	12,550	12,217	8,680
Charges, net of credits	3,142	—	1,479
Deferred income taxes	7,488	(6,224)	49,878
Loss (gain) from current and deferred sale/disposal of property and equipment	90	(809)	5,529
Tenant improvement allowances received from landlords	25,914	16,821	7,082
Change in operating assets and liabilities:			
Customer accounts receivable	(266,997)	(300,745)	(230,201)
Other accounts receivables	(5,346)	5,582	(2,917)
Inventories	278	(8,140)	(47,038)
Other assets	(6,983)	20,950	(15,474)
Accounts payable	(23,041)	(499)	(31,220)
Accrued expenses	(21,689)	11,158	25,100
Operating leases	(35,816)	—	—
Income taxes	(9,930)	49,685	(30,590)
Deferred revenues and other credits	861	(14,344)	(5,429)
Net cash provided by operating activities	**80,066**	**151,801**	**50,522**
Cash flows from investing activities:			
Purchases of property and equipment	(57,546)	(32,814)	(16,918)
Proceeds from asset dispositions	724	—	—
Net cash used in investing activities	**(56,822)**	**(32,814)**	**(16,918)**
Cash flows from financing activities:			
Proceeds from issuance of asset-backed notes	867,750	358,300	1,042,034
Payments on asset-backed notes	(505,442)	(739,875)	(1,000,027)
Borrowings under revolving credit facility	1,625,440	1,836,822	1,717,012
Payments on revolving credit facility	(1,865,069)	(1,647,322)	(1,817,512)
Borrowings from warehouse facility	—	173,286	79,940
Payments on warehouse facility	(53,635)	(119,650)	(79,940)
Payment for share repurchases	(66,290)	—	—
Payment of debt issuance costs and amendment fees	(7,876)	(7,418)	(13,874)
Proceeds from stock issued under employee benefit plans	988	1,237	3,318
Tax payments associated with equity-based compensation transactions	(2,216)	(3,342)	(1,182)
Payment from extinguishment of debt	—	(1,178)	(836)
Other	(976)	(1,068)	(643)
Net cash used in financing activities	**(7,326)**	**(150,208)**	**(71,710)**
Net change in cash, cash equivalents and restricted cash	**15,918**	**(31,221)**	**(38,106)**
Cash, cash equivalents and restricted cash, beginning of period	64,937	96,158	134,264
Cash, cash equivalents and restricted cash, end of period	**$ 80,855**	**$ 64,937**	**$ 96,158**

(continued on next page)

	Year Ended January 31,		
	2020	2019	2018
Non-cash investing and financing activities:			
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 75,296	$ —	$ —
Right-of-use assets obtained in exchange for new financing lease liabilities	$ 1,110	$ —	$ —
Capital lease asset additions and related obligations	$ —	$ 1,193	$ 3,196
Property and equipment purchases not yet paid	$ 9,717	$ 5,557	$ 2,070
Supplemental cash flow data:			
Cash interest paid	$ 50,491	$ 50,568	$ 63,713
Cash income taxes paid (refunded), net	$ 17,169	$ (20,447)	$ 3,083

See notes to consolidated financial statements.

CONN'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Business. Conn's, Inc., a Delaware corporation, is a holding company with no independent assets or operations other than its investments in its subsidiaries. References to "we," "our," "us," "the Company," "Conn's" or "CONN" refer to Conn's, Inc. and, as apparent from the context, its subsidiaries. Conn's is a leading specialty retailer that offers a broad selection of quality, branded durable consumer goods and related services in addition to proprietary credit solutions for its core credit-constrained consumers. We operate an integrated and scalable business through our retail stores and website. Our complementary product offerings include furniture and mattresses, home appliances, consumer electronics and home office products from leading global brands across a wide range of price points. Our credit offering provides financing solutions to a large, under-served population of credit-constrained consumers who typically have limited credit alternatives.

We operate two reportable segments: retail and credit. Our retail stores bear the "Conn's HomePlus" name with all of our stores providing the same products and services to a common customer group. Our stores follow the same procedures and methods in managing their operations. Our retail business and credit business are operated independently from each other. The credit segment is dedicated to providing short- and medium-term financing to our retail customers. The retail segment is not involved in credit approval decisions or collection efforts. Our management evaluates performance and allocates resources based on the operating results of the retail and credit segments.

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and prevailing industry practices.

Fiscal Year. Our fiscal year ends on January 31. References to a fiscal year refer to the calendar year in which the fiscal year ends.

Principles of Consolidation. The consolidated financial statements include the accounts of Conn's, Inc. and its wholly-owned subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

Variable Interest Entities. Variable Interest Entities ("VIEs") are consolidated if the Company is the primary beneficiary. The primary beneficiary of a VIE is the party that has (i) the power to direct the activities that most significantly impact the performance of the VIE and (ii) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

We securitize customer accounts receivables by transferring the receivables to various bankruptcy-remote VIEs. We retain the servicing of the securitized portfolio and have a variable interest in each corresponding VIE by holding the residual equity. We have determined that we are the primary beneficiary of each respective VIE because (i) our servicing responsibilities for the securitized portfolio give us the power to direct the activities that most significantly impact the performance of the VIE and (ii) our variable interest in the VIE gives us the obligation to absorb losses and the right to receive residual returns that potentially could be significant. As a result, we consolidate the respective VIEs within our consolidated financial statements.

Refer to Note 6, *Debt and Financing Lease Obligations*, and Note 13, *Variable Interest Entities*, for additional information.

Use of Estimates. The preparation of financial statements in accordance with GAAP requires management to make informed judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Changes in facts and circumstances or additional information may result in revised estimates, and actual results may differ, even significantly, from these estimates. Management evaluates its estimates and related assumptions regularly, including those related to the allowance for doubtful accounts and allowances for no-interest option credit programs, which are particularly sensitive given the size of our customer portfolio balance.

Cash and Cash Equivalents. As of January 31, 2020 and 2019, cash and cash equivalents included cash, credit card deposits in transit, and highly liquid debt instruments purchased with a maturity date of three months or less. Credit card deposits in transit included in cash and cash equivalents were $4.0 million and $2.5 million as of January 31, 2020 and 2019, respectively.

Restricted Cash. The restricted cash balance as of January 31, 2020 and 2019 includes $59.7 million and $45.3 million, respectively, of cash we collected as servicer on the securitized receivables that was subsequently remitted to the VIEs and $13.9 million and $12.2 million, respectively, of cash held by the VIEs as additional collateral for the asset-backed notes.

Customer Accounts Receivable. Customer accounts receivable reported in the Consolidated Balance Sheet includes total receivables managed, including both those transferred to the VIEs and those not transferred to the VIEs. Customer accounts receivable are recognized at the time the customer takes possession of the product. Based on contractual terms, we record the amount of principal and accrued interest on customer receivables that is expected to be collected within the next twelve months in current assets with the remaining balance in long-term assets on the Consolidated Balance Sheet. Customer accounts receivable include the net of unamortized deferred fees charged to customers and origination costs. Customer receivables are considered delinquent if a payment has not been received on the scheduled due date. Accounts that are delinquent more than 209 days as of

the end of a month are charged-off against the allowance for doubtful accounts along with interest accrued subsequent to the last payment.

In an effort to mitigate losses on our accounts receivable, we may make loan modifications to a borrower experiencing financial difficulty. In our role as servicer, we may also make modifications to loans held by the VIEs. The loan modifications are intended to maximize net cash flow after expenses and avoid the need to exercise legal remedies available to us. We may extend or "re-age" a portion of our customer accounts, which involves modifying the payment terms to defer a portion of the cash payments due. Our re-aging of customer accounts does not change the interest rate or the total principal amount due from the customer and typically does not reduce the monthly contractual payments. To a much lesser extent, we may provide the customer the ability to refinance their account, which typically does not change the interest rate or the total principal amount due from the customer but does reduce the monthly contractual payments and extend the term. We consider accounts that have been re-aged in excess of three months or refinanced as Troubled Debt Restructurings ("TDR" or "Restructured Accounts").

Interest Income on Customer Accounts Receivable. Interest income, which includes interest income and amortization of deferred fees and origination costs, is recorded using the interest method and is reflected in finance charges and other revenues. Typically, interest income is recorded until the customer account is paid off or charged-off, and we provide an allowance for estimated uncollectible interest. Any contractual interest income received from customers in excess of the interest income calculated using the interest method is recorded as deferred revenue on our balance sheets. At January 31, 2020 and 2019, there were $10.6 million and $11.2 million, respectively, of deferred interest included in deferred revenues and other credits and other long-term liabilities. The deferred interest will ultimately be brought into income as the accounts pay off or charge-off.

We offer a 12-month no-interest option program. If the customer is delinquent in making a scheduled monthly payment or does not repay the principal in full by the end of the no-interest option program period (grace periods are provided), the account does not qualify for the no-interest provision and none of the interest earned is waived. Interest income is recognized based on estimated accrued interest earned to date on all no-interest option finance programs with an offsetting reserve for those customers expected to satisfy the requirements of the program based on our historical experience.

We recognize interest income on TDR accounts using the interest income method, which requires reporting interest income equal to the increase in the net carrying amount of the loan attributable to the passage of time. Cash proceeds and other adjustments are applied to the net carrying amount such that it equals the present value of expected future cash flows.

We place accounts in non-accrual status when legally required. Payments received on non-accrual loans will be applied to principal and reduce the balance of the loan. At January 31, 2020 and 2019, the carrying value of customer accounts receivable in non-accrual status was $12.5 million and $13.9 million, respectively. At January 31, 2020 and 2019, the carrying value of customer accounts receivable that were past due 90 days or more and still accruing interest totaled $132.7 million and $106.5 million, respectively. At January 31, 2020 and January 31, 2019, the carrying value of customer accounts receivable in a bankruptcy status that were less than 60 days past due of $12.1 million and $12.0 million, respectively, were included within the customer receivables balance carried in non-accrual status.

Allowance for Doubtful Accounts. The determination of the amount of the allowance for bad debts is, by nature, highly complex and subjective. Future events that are inherently uncertain could result in material changes to the level of the allowance for bad debts. General economic conditions, changes to state or federal regulations and a variety of other factors that affect the ability of borrowers to service their debts or our ability to collect will impact the future performance of the portfolio.

We establish an allowance for doubtful accounts, including estimated uncollectible interest, to cover probable and estimable losses on our customer accounts receivable resulting from the failure of customers to make contractual payments. Our customer accounts receivable portfolio balance consists of a large number of relatively small, homogeneous accounts. None of our accounts are large enough to warrant individual evaluation for impairment.

We record an allowance for doubtful accounts on our non-TDR customer accounts receivable that we expect to charge-off over the next 12 months based on historical gross charge-off rates over the last 24 months. We incorporate an adjustment to historical gross charge-off rates for a scaled factor of the year-over-year change in six month average first payment default rates and the year-over-year change in the balance of customer accounts receivable that are 60 days or more past due. In addition to adjusted historical gross charge-off rates, estimates of post-charge-off recoveries, including cash payments from customers, amounts realized from the repossession of the products financed, sales tax recoveries from taxing jurisdictions, and payments received under credit insurance and repair service agreement ("RSA") policies are also considered. During the year, we shortened the lookback period used to estimate post-charge-off recoveries for customer balances from a cumulative average collection rate to a 24 month average collection rate. The 24 month lookback period is consistent with the lookback period used elsewhere in the allowance for bad debt calculation and is more closely aligned with current collections practices.

Qualitative adjustments are made to the allowance for bad debts when, based on management's judgment, there are internal or external factors impacting probable incurred losses not taken into account by the quantitative calculations. These qualitative

considerations are based on the following factors: changes in lending policies and procedures, changes in economic and business conditions, changes in the nature and volume of the portfolio, changes in lending management, changes in credit quality statistics, changes in concentrations of credit and other internal or external factor changes. We utilize an economic qualitative adjustment based on changes in unemployment rates if current unemployment rates in our markets are worse than they were on average over the last 24 months. We also qualitatively limit the impact of changes in first payment default rates and changes in delinquency when those changes result in a decrease to the allowance for bad debts based on a measure of the dispersion of historical charge-off rates. At January 31, 2020, we made a qualitative adjustment related to changes in the nature of the portfolio of $4.0 million. The qualitative adjustment primarily related to the impact of the performance of certain re-aged accounts.

We determine allowances for those accounts that are TDR based on the discounted present value of cash flows expected to be collected over the life of those accounts based primarily on the performance of TDR loans over the last 24 months. The cash flows are discounted based on the weighted-average effective interest rate of the TDR accounts. The excess of the carrying amount over the discounted cash flow amount is recorded as an allowance for loss on those accounts.

Inventories. Inventories consist of merchandise purchased for resale and service parts and are recorded at the lower of cost or net realizable value. The carrying value of the inventory is reduced to its net realizable value for any product lines with excess of carrying amount, typically weighted-average cost, over the amount we expect to realize from the ultimate sale or other disposition of the inventory, with a corresponding charge to cost of sales. The write-down of inventory to net realizable value is estimated based on assumptions regarding inventory aging and historical product sales.

Vendor Allowances. We receive funds from vendors for price protection, product rebates (earned upon purchase or sale of product), marketing, and promotion programs, collectively referred to as vendor allowances, which are recorded on an accrual basis. We estimate the vendor allowances to accrue based on the progress of satisfying the terms of the programs based on actual and projected sales or purchase of qualifying products. If the programs are related to product purchases, the vendor allowances are recorded as a reduction of product cost in inventory still on hand with any remaining amounts recorded as a reduction of cost of goods sold. During the years ended January 31, 2020, 2019 and 2018, we recorded $156.6 million, $143.3 million and $153.0 million, respectively, as reductions in cost of goods sold from vendor allowances.

Property and Equipment. Property and equipment, including any major additions and improvements to property and equipment, are recorded at cost. Normal repairs and maintenance that do not materially extend the life of property and equipment are expensed as incurred. Depreciation, which includes amortization of financed leases, is computed using the straight-line method over the estimated useful lives of the assets, or in the case of leasehold improvements, over the shorter of the estimated useful lives or the remaining terms of the leases.

Internal-Use Software Costs. Costs related to software developed or obtained for internal use and cloud-based computing arrangements are expensed as incurred until the application development stage has been reached. Once the application development stage has been reached, certain qualifying costs are capitalized until the software is ready for its intended use. Costs incurred during the post implementation stage are expensed as incurred. Once placed into service, capitalized costs are amortized over periods of up to 10 years. For the year ended January 31, 2020, we incurred a $1.2 million loss on impairments of software costs for a loan management system that was abandoned during fiscal year 2020. No software costs were written-off in the year ended January 31, 2019. For the year ended January 31, 2018, we incurred a $5.9 million loss from the write-off of previously capitalized costs for a software project that was abandoned during fiscal year 2018. See Note 4, *Charges and Credits*, for further details regarding both the fiscal year 2020 and fiscal year 2018 write-offs.

Impairment of Long-Lived Assets. Long-lived assets are evaluated for impairment, primarily at the retail store level. We monitor store performance in order to assess if events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The most likely condition that would necessitate an assessment would be an adverse change in historical and estimated future results of a retail store's performance. For property and equipment held and used, we recognize an impairment loss if the carrying amount is not recoverable through its undiscounted cash flows and measure the impairment loss based on the difference between the carrying amount and estimated fair value. During the year ended January 31, 2020, we recognized $3.2 million in impairments from the exiting of certain leases. See Note 4, *Charges and Credits*, for details. For the years ended January 31, 2019 and 2018, no impairment charges were recorded.

Debt Issuance Costs. Costs that are direct and incremental to debt issuance are deferred and amortized to interest expense using the effective interest method over the expected life of the debt. All other costs related to debt issuance are expensed as incurred. We present debt issuance costs associated with long-term debt as a reduction of the carrying amount of the debt. Unamortized costs related to the Revolving Credit Facility, as defined in Note 6, *Debt and Financing Lease Obligations*, are included in other assets on our Consolidated Balance Sheet and were $3.5 million and $6.1 million as of January 31, 2020 and 2019, respectively.

Revenue Recognition. The adoption of ASC 606 resulted in a change to our accounting policy related to retrospective income on RSAs. We participate in profit sharing agreements with the underwriters of our RSA products, payment from which is contingent upon the actual performance of the portfolio of the RSAs sold. Prior to the adoption of ASC 606, we recognized this revenue and

related receivable as the amount due to us at each reporting date based on the performance of the portfolio through such date. The Company concluded that this retrospective income represents variable consideration under ASC 606 for which the Company’s performance obligation is satisfied when the RSA is sold to the customer. Under ASC 606, an estimate of variable consideration, subject to constraints, is to be included in the transaction price and recognized when or as the performance obligation is satisfied. As a result of the adoption of ASC 606, the Company changed its accounting policy related to retrospective income on RSAs to record an estimate of retrospective income when the RSA is sold, subject to constraints in the estimate. The Company’s estimate of the amount of variable consideration is recorded as a contract asset, representing a conditional right to payment, and is included within other accounts receivable in the Consolidated Balance Sheet. The estimated contract asset will be reassessed at the end of each reporting period, with changes thereto recorded as adjustments to revenue.

The cumulative effect of the changes made to the Company’s Consolidated Balance Sheet as a result of the adoption of ASC 606 were as follows (in thousands):

	Impact of Adoption of ASC 606		
(in thousands)	Balance at January 31, 2018	Adjustments due to ASC 606	Balance at February 1, 2018
Assets			
Other Accounts Receivable	$ 71,186	$ 1,210	$ 72,396
Deferred Income Taxes	21,565	(254)	21,311
Stockholder’s Equity	$ 535,068	$ 956	$ 536,024

The adoption of ASC 606 did not have a material impact on the consolidated financial statements for the year ended January 31, 2018.

The Company has the following material revenue streams: the sale of products (e.g. appliances, electronics) including delivery; the sale of third party warranty and insurance programs, including retrospective income; service income; interest income generated from the financing of point of sale transactions; and volume rebate incentives received from a third party financier. Interest income related to our customer accounts receivable balance and loan origination costs (including sales commissions) meet the scope exception of ASC 606 and are therefore not impacted by the adoption of this standard. For our twelve month no-interest option program, as a practical expedient acceptable under ASC 606, we do not adjust for the time value of money.

Sale of Products Including Delivery: The Company has a single performance obligation associated with these contracts: the delivery of the product to the customer, at which point control transfers. Revenue for the sale of products is recognized at the time of delivery, net of any adjustments for sales incentives such as discounts, coupons, rebates or other free products or services. Sales financed through third-party no-interest option programs typically require us to pay a fee to the third party on each completed sale, which is recorded as a reduction of net sales in the retail segment.

Sale of Third Party Warranty and Insurance Programs, Including Retrospective Income: We sell RSA 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. Commissions related to these contracts are recognized in revenue upon delivery of the product. We also may serve as the administrator of the RSAs sold and defer 5% of the revenue received from the sale of RSAs as compensation for this performance obligation as 5% represents the estimated stand-alone sales price to serve as the administrator. The deferred RSA administration fee is recorded in income ratably over the life of the RSA contract sold. Retrospective income on RSA contracts is recognized upon delivery of the product based on an estimate of claims and is adjusted throughout the life of the contracts as actual claims materialize. Retrospective income on insurance contracts is recognized when earned as that is the point at which we no longer believe a significant reversal of income is probable as the consideration is highly susceptible to factors outside of our influence.

Service Income: The Company has a single performance obligation associated with these contracts: the servicing of the RSA claims. Service revenues are recognized at the time service is provided to the customer.

Volume Rebate Incentive: As part of our agreement with our third-party provider of no-interest option programs, we may receive a volume rebate incentive based on the total dollar value of sales made under our third-party provider. The Company has a single performance obligation associated with this contract: the delivery of the product to the customer, at which point control transfers. Revenue for the volume rebate incentive is recognized upon delivery of the product to the customer based on the projected total annual dollar value of sales to be made under our third-party provider.

ASC 606 requires disaggregation of revenue recognized from contracts with customers to depict how the nature, amount, timing and uncertainty of revenue is affected by economic factors. The Company concluded that the disaggregated discrete financial

information presented in Note 5, *Finance Charges and Other Revenues*, and Note 14, *Segment Information*, reviewed by our chief operating decision maker in evaluating the financial performance of our operating segments adequately addresses the disaggregation of revenue requirements of ASC 606.

Deferred Revenue. Deferred revenue related to contracts with customers consists of deferred customer deposits and deferred RSA administration fees. During the twelve months ended January 31, 2020, we recognized $1.0 million of revenue for customer deposits deferred as of the beginning of the period compared to $1.8 million recognized during the twelve months ended January 31, 2019. During the twelve months ended January 31, 2020, we recognized $5.1 million of revenue for RSA administrative fees deferred as of the beginning of the period compared to $5.4 million recognized during the twelve months ended January 31, 2019.

Expense Classifications. We record as cost of goods sold, the direct cost of products and parts sold and related costs for delivery, transportation and handling, inbound freight, receiving, inspection, and other costs associated with the operations of our distribution system, including occupancy related to our warehousing operations. The costs associated with our merchandising, advertising, sales commissions, and all store occupancy costs, are included in selling, general and administrative expense ("SG&A").

Advertising Costs. Advertising costs are expensed as incurred. For fiscal years 2020, 2019 and 2018, advertising expense was $84.8 million, $80.5 million and $86.8 million, respectively.

Stock-based Compensation. Stock-based compensation expense is recorded, net of estimated forfeitures, for share-based compensation awards over the requisite service period using the straight-line method. An adjustment is made to compensation cost for any difference between the estimated forfeitures and the actual forfeitures related to the awards. For equity-classified share-based compensation awards, expense is recognized based on the grant-date fair value. For stock option grants, we use the Black-Scholes model to determine fair value. For grants of restricted stock units, the fair value of the grant is the market value of our stock at the date of issuance. For grants of performance-based restricted stock units, the fair value of the grant is the market value of our stock at the date of issuance adjusted for a market condition, a performance condition and a service condition.

Self-insurance. We are self-insured for certain losses relating to group health, workers' compensation, automobile, general and product liability claims. We have stop-loss coverage to limit the exposure arising from these claims. Self-insurance losses for claims filed and claims incurred, but not reported, are accrued based upon our estimates of the net aggregate liability for claims incurred using development factors based on historical experience.

Income Taxes. We are subject to U.S. federal income tax as well as income tax in multiple state jurisdictions. We follow the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on temporary differences between GAAP and tax bases of assets and liabilities and for operating loss and tax credit carryforwards, as measured using the enacted tax rates expected to be in effect when the temporary differences are expected to be realized or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period in which the enactment occurs. A valuation allowance is provided when it is more-likely-than-not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become realizable. To the extent penalties and interest are incurred, we record these charges as a component of our provision for income taxes.

We review and update our tax positions as necessary to add any new uncertain tax positions taken, or to remove previously identified uncertain positions that have been adequately resolved. Additionally, uncertain positions may be remeasured as warranted by changes in facts or law. Accounting for uncertain tax positions requires estimating the amount, timing and likelihood of ultimate settlement.

Earnings per Share. Basic earnings per share is calculated by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted earnings per share includes the dilutive effects of any stock options, restricted stock unit awards ("RSUs") and performance stock awards ("PSUs"), which are calculated using the treasury-stock method. The following table sets forth the shares outstanding for the earnings per share calculations:

	Year Ended January 31,		
	2020	**2019**	**2018**
Weighted-average common shares outstanding - Basic	30,275,662	31,668,370	31,192,439
Dilutive effect of stock options, RSUs and PSUs	539,113	706,005	585,384
Weighted-average common shares outstanding - Diluted	30,814,775	32,374,375	31,777,823

For the years ended January 31, 2020, 2019 and 2018, the weighted-average number of stock options, RSUs, and PSUs not included in the calculation due to their anti-dilutive effect, was 898,449, 578,951 and 278,740, respectively.

Contingencies. An estimated loss from a contingency is recorded if it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Gain contingencies are not recorded until realization is assured beyond a reasonable doubt. Legal costs related to loss contingencies are expensed as incurred.

Fair Value of Financial Instruments. 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. Assets and liabilities recorded at fair value are categorized using defined hierarchical levels related to subjectivity associated with the inputs to fair value measurements as follows:

- Level 1 – Inputs represent unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (for example, quoted market prices for similar assets or liabilities in active markets or quoted market prices for identical assets or liabilities in markets not considered to be active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs).
- Level 3 – Inputs that are not observable from objective sources such as our internally developed assumptions used in pricing an asset or liability (for example, an estimate of future cash flows used in our internally developed present value of future cash flows model that underlies the fair-value measurement).

In determining fair value, we use observable market data when available, or models that incorporate observable market data. When we are required to measure fair value and there is not a market-observable price for the asset or liability or for a similar asset or liability, we use the cost or income approach depending on the quality of information available to support management’s assumptions. The cost approach is based on management’s best estimate of the current asset replacement cost. The income approach is based on management’s best assumptions regarding expectations of future net cash flows and discounts the expected cash flows using a commensurate risk-adjusted discount rate. Such evaluations involve significant judgment, and the results are based on expected future events or conditions such as sales prices, economic and regulatory climates, and other factors, most of which are often outside of management’s control. However, we believe assumptions used reflect a market participant’s view of long-term prices, costs, and other factors and are consistent with assumptions used in our business plans and investment decisions.

In arriving at fair-value estimates, we use relevant observable inputs available for the valuation technique employed. If a fair-value measurement reflects inputs at multiple levels within the hierarchy, the fair-value measurement is characterized based on the lowest level of input that is significant to the fair-value measurement.

The fair value of cash and cash equivalents, restricted cash and accounts payable approximate their carrying amounts because of the short maturity of these instruments. The fair value of customer accounts receivable, determined using a Level 3 discounted cash flow analysis, approximates their carrying value, net of the allowance for doubtful accounts. The fair value of our Revolving Credit Facility approximates carrying value based on the current borrowing rate for similar types of borrowing arrangements. At January 31, 2020, the fair value of the Senior Notes outstanding, which was determined using Level 1 inputs, was $224.7 million as compared to the carrying value of $227.0 million, excluding the impact of the related discount. At January 31, 2020, the fair value of the asset-backed notes approximates their carrying value and was determined using Level 2 inputs based on inactive trading activity.

Recent Accounting Pronouncements Adopted. In February 2016 the Financial Accounting Standards Board (“FASB”) issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize assets and liabilities for most leases. Effective February 1, 2019, the Company adopted ASU 2016-02 using the modified retrospective approach. For most leases, a liability was recorded on the balance sheet based on the present value of future lease obligations with a corresponding right-of-use asset. Primarily for those leases currently classified by us as operating leases, we recognize a single lease cost on a straight line basis. Other leases are required to be accounted for as financing arrangements similar to how we previously accounted for capital leases. Upon adoption we elected a package of practical expedients permitted under the transition guidance within the new standard. The practical expedients adopted allowed us to carry forward the historical lease classification, allowed us to not separate and allocate the consideration paid between lease and non-lease components included within a contract and allowed us to carry forward our accounting treatment for land easements on existing agreements. We also adopted an optional transition method finalized by the FASB in July 2018 that waives the requirement to apply this ASU in the comparative periods presented within the financial statements in the year of adoption. Therefore, results for reporting periods beginning after February 1, 2019 are presented under ASC Topic 842, while prior period amounts are not adjusted and continue to be reported in accordance with the Company’s historic accounting policies under ASC Topic 840.

Additionally, we have elected the short-term policy election for the Company for any lease that, at the commencement date, has a lease term of twelve months or less. We will not recognize a lease liability or right-of-use asset on the balance sheet for any of our short-term leases. Rather, the short-term lease payments will be recognized as an expense on a straight-line basis over the lease term. The current period short-term lease expense reasonably reflects our short-term lease commitments.

The cumulative effect of the changes made to the Company's Condensed Consolidated Balance Sheet as a result of the adoption of ASC 842 were as follows (in thousands):

	Impact of Adoption of ASC 842		
(in thousands)	Balance at January 31, 2019	Adjustments due to ASC 842	Balance at February 1, 2019
Assets			
Current assets [(1)]	$ 1,014,394	$ (2,983)	$ 1,011,411
Operating lease right-of-use assets [(2)]	—	227,421	227,421
Deferred income taxes [(3)]	27,535	(1,447)	26,088
Liabilities			
Current liabilities [(4)]	237,568	(12,426)	225,142
Operating lease liability - current [(5)]	—	29,815	29,815
Deferred rent [(4)]	93,127	(93,127)	—
Operating lease liability - non-current [(5)]	—	300,170	300,170
Other long-term liabilities [(3)]	33,015	(7,606)	25,409
Stockholder's equity [(3)]	619,975	6,160	626,135

(1) Reclassification of the $3.0 million January 31, 2019 balance of accounts receivable for tenant improvement allowances to a reduction in the operating lease liability.

(2) The operating lease right-of-use assets represent the present value of the lease liability offset by the full value of deferred rent and tenant improvement allowances received from the lessor which had not been utilized as of the date of adoption.

(3) A net cumulative-effect adjustment to increase retained earnings by $6.2 million to recognize the $7.6 million January 31, 2019 balance of deferred gains which resulted from sale and operating leaseback transactions made at off-market terms offset by the $1.4 million impact on our deferred tax asset related to the sale-leaseback transactions.

(4) Reclassification of the full value of deferred rent and tenant improvement allowances received from lessors, which were previously recorded as liabilities as they had not been utilized as of the date of adoption, to a reduction of the operating lease right-of-use assets.

(5) The operating lease liability represents the $340.5 million present value of future operating lease obligations as of January 31, 2019, offset by $10.5 million of accounts receivable for tenant improvement allowances.

Cloud Computing Arrangements. In August 2018, the FASB issued ASU 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. ASU 2018-15 requires companies to apply the accounting guidance as prescribed by ASC 350- 40, *Internal Use Software*, in determining which cloud-based implementation costs should be capitalized as assets or expensed as incurred. The internal-use software guidance requires the capitalization of certain costs incurred during the application development stage of an internal-use software project, while requiring companies to expense all costs incurred during preliminary project and post-implementation project stages. The standard may be applied either prospectively to all implementation costs incurred after the adoption date or retrospectively. ASU 2018-15 is effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted. The Company elected to early adopt ASU 2018-15 on a prospective basis effective February 1, 2019. Costs eligible for capitalization will be capitalized within prepaid expenses and other assets and expensed through operating expenses in the consolidated balance sheets and statements of operations, respectively. Prior to adoption, eligible costs were capitalized within property and equipment and expensed through depreciation. As of January 31, 2020, there was $8.5 million in capitalized cloud-based implementation costs included on the balance sheet.

Recent Accounting Pronouncements Yet To Be Adopted. In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (CECL)*. ASU 2016-13 requires that financial assets measured at amortized cost be presented at the net amount expected to be collected through an allowance for credit losses that is deducted from the amortized cost basis. The allowance for credit losses should reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. This is a change from the current incurred loss model. In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*. ASU 2019-04 requires that the current estimate of recoveries is included in the allowance for credit losses. The standards will become effective for us in the first quarter of fiscal year 2021, under a modified retrospective approach. Any changes in reserves will be recorded in retained earnings as of the beginning of the reporting period of adoption as a cumulative-effect adjustment. We performed a scoping analysis of our balance sheet to determine which accounts would be impacted by the new standard. Based on this review, it was determined that aside from the customer accounts receivable balance, no other financial statement line items would be materially impacted by CECL.

We have formed a cross-functional working group comprised of individuals from various functional areas including credit, finance, accounting, and information technology to oversee our CECL implementation. We have developed a model based on our historical gross charge-off history, adjusted for expected recoveries and run the existing portfolio through preliminary simulations, which incorporated portfolio composition and economic expectations as of February 1, 2020. The results of those preliminary simulations indicate that our reserves for credit losses could increase between 40-60% upon implementation of ASU 2016-13. This projected increase is primarily driven by the required change from incurred to lifetime expected losses. However, we continue to refine and validate our model through review of key assumptions and parallel testing against both our current incurred loss model and a challenger model. These parallel runs will continue through fiscal year 2021. The ultimate impact on the date of adoption will depend on the size and composition of our portfolio, the portfolio's credit quality and economic conditions at the time of adoption, in addition to refinements to our model, methodology and key assumptions.

We have established formal policies supporting the accounting, controls and additional disclosures around the ASU 2016-13 implementation.

2. Customer Accounts Receivable

Customer accounts receivable consisted of the following:

(in thousands)	January 31, 2020	January 31, 2019
Customer accounts receivable portfolio balance	$ 1,602,037	$ 1,589,828
Deferred fees and origination costs, net	(15,746)	(16,579)
Allowance for no-interest option credit programs	(14,984)	(19,257)
Allowance for uncollectible interest	(23,662)	(15,555)
Carrying value of customer accounts receivable	1,547,645	1,538,437
Allowance for bad debts	(210,142)	(199,324)
Carrying value of customer accounts receivable, net of allowance for bad debts	1,337,503	1,339,113
Short-term portion of customer accounts receivable, net	$ (673,742)	$ (652,769)
Long-term customer accounts receivable, net	$ 663,761	$ 686,344

	Carrying Value	
(in thousands)	January 31, 2020	January 31, 2019
Customer accounts receivable 60+ days past due [(1)]	$ 193,797	$ 146,188
Re-aged customer accounts receivable [(2)(3)(4)]	455,704	395,576
Restructured customer accounts receivable [(5)]	211,857	183,641

(1) As of January 31, 2020 and 2019, the carrying value of customer accounts receivable past due one day or greater was $527.0 million and $420.9 million, respectively. These amounts include the 60+ days past due balances shown above.

(2) The re-aged carrying value as of January 31, 2020 and 2019 includes $131.4 million and $92.4 million in carrying value that are both 60+ days past due and re-aged.

(3) The re-aged carrying value as of January 31, 2020 and 2019 includes $9.2 million and $26.5 million in first time re-ages related to customers within FEMA-designated Hurricane Harvey disaster areas.

(4) The re-aged carrying value as of January 31, 2020 includes $6.9 million in first time re-ages related to customers within FEMA-designated Tropical Storm Imelda disaster areas.

(5) The restructured carrying value as of January 31, 2020 and 2019 includes $64.8 million and $43.9 million in carrying value that are both 60+ days past due and restructured.

The following presents the activity in our allowance for doubtful accounts and uncollectible interest for customer accounts receivable:

	January 31, 2020		
(in thousands)	Customer Accounts Receivable	Restructured Accounts	Total
Allowance at beginning of period	$ 147,123	$ 67,756	$ 214,879
Provision [(1)]	177,250	91,356	268,606
Principal charge-offs [(2)]	(158,773)	(63,074)	(221,847)
Interest charge-offs	(37,850)	(15,037)	(52,887)
Recoveries [(2)]	17,930	7,123	25,053
Allowance at end of period	$ 145,680	$ 88,124	$ 233,804
Average total customer portfolio balance	$ 1,367,260	$ 200,618	$ 1,567,878

	January 31, 2019		
(in thousands)	Customer Accounts Receivable	Restructured Accounts	Total
Allowance at beginning of period	$ 148,856	$ 54,716	$ 203,572
Provision [(1)]	174,552	74,514	249,066
Principal charge-offs [(2)]	(157,789)	(55,024)	(212,813)
Interest charge-offs	(32,432)	(11,310)	(43,742)
Recoveries [(2)]	13,936	4,860	18,796
Allowance at end of period	$ 147,123	$ 67,756	$ 214,879
Average total customer portfolio balance	$ 1,355,011	$ 171,717	$ 1,526,728

	January 31, 2018		
(in thousands)	Customer Accounts Receivable	Restructured Accounts	Total
Allowance at beginning of period	$ 158,992	$ 51,183	$ 210,175
Provision [(1)]	189,786	71,047	260,833
Principal charge-offs [(2)]	(177,682)	(60,003)	(237,685)
Interest charge-offs	(30,379)	(10,259)	(40,638)
Recoveries [(2)]	8,139	2,748	10,887
Allowance at end of period	$ 148,856	$ 54,716	$ 203,572
Average total customer portfolio balance	$ 1,357,455	$ 143,245	$ 1,500,700

(1) Includes provision for uncollectible interest, which is included in finance charges and other revenues.

(2) Charge-offs include the principal amount of losses (excluding accrued and unpaid interest). Recoveries include the principal amount collected during the period for previously charged-off balances. Net charge-offs are calculated as the net of principal charge-offs and recoveries.

3. Property and Equipment

Property and equipment consist of the following:

(dollars in thousands)	Estimated Useful Lives	January 31, 2020	January 31, 2019
Land	—	$ 1,644	$ 4,130
Buildings	30 years	4,115	1,748
Leasehold improvements	5 to 15 years	285,524	246,404
Equipment and fixtures	3 to 5 years	92,634	78,562
Finance/Capital leases	3 to 20 years	8,032	9,646
Construction in progress	—	8,846	9,696
		400,795	350,186
Less accumulated depreciation		(227,764)	(201,203)
		$ 173,031	$ 148,983

Depreciation expense was approximately $36.8 million, $31.6 million and $30.8 million for the years ended January 31, 2020, 2019 and 2018, respectively. Construction in progress is comprised primarily of the construction of leasehold improvements related to unopened retail stores and internal-use software under development. Finance lease assets primarily include retail locations.

4. Charges and Credits

Charges and credits consisted of the following:

(in thousands)	Year Ended January 31, 2020	2019	2018
Store and facility closure and relocation costs	$ 1,933	$ —	$ 2,381
Legal and professional fees and related reserves associated with the exploration of strategic alternatives, securities-related litigation, a legal judgment and other legal matters	—	5,100	1,177
Indirect tax audit reserve	—	1,943	2,595
Employee severance and executive management transition costs	—	737	1,317
Write-off of capitalized software costs	1,209	—	5,861
	$ 3,142	$ 7,780	$ 13,331

During the year ended January 31, 2020, we recognized $3.2 million in impairments from the exiting of certain leases upon the relocation of three distribution centers into one facility. These facility closure costs were offset by a $0.7 million gain from increased sublease income related to the consolidation of our corporate headquarters and a $0.6 million gain from the sale of a cross-dock. In addition, we recognized $1.2 million in impairments of software costs for a loan management system that was abandoned during the third quarter of fiscal year 2020 related to the implementation of a new loan management system. During the year ended January 31, 2019, we recorded a contingency reserve related to a regulatory matter, a charge related to an increase in our indirect tax audit reserve, severance costs related to a change in the executive management team and costs related to a judgment in favor of TF LoanCo (“TFL”) requiring Conn’s to pay approximately $4.8 million to TFL related to a breach of contract lawsuit brought by the Company. During the year ended January 31, 2018, we incurred exit costs associated with reducing the square footage of a distribution center and consolidating our corporate headquarters, severance costs related to a change in the executive management team, a charge related to an increase in our indirect tax audit reserve, a loss from the write-off of previously capitalized costs for a software project that was abandoned during fiscal year 2018 related to the implementation of a new point of sale system that began in fiscal year 2013, and contingency reserves related to legal matters.

5. Finance Charges and Other Revenues

Finance charges and other revenues consisted of the following:

	Year Ended January 31,		
(in thousands)	2020	2019	2018
Interest income and fees	$ 341,224	$ 325,136	$ 289,005
Insurance income	38,417	29,556	34,718
Other revenues	810	447	341
Total finance charges and other revenues	$ 380,451	$ 355,139	$ 324,064

Interest income and fees and insurance income are derived from the credit segment operations, whereas other revenues are derived from the retail segment operations. Insurance income is comprised of sales commissions from third-party insurance companies that are recognized when coverage is sold and retrospective income paid by the insurance carrier if insurance claims are less than earned premiums.

For the years ended January 31, 2020, 2019 and 2018, interest income and fees reflected provisions for uncollectible interest of $64.1 million, $52.0 million and $44.8 million, respectively. The amount included in interest income and fees related to TDR accounts for the years ended January 31, 2020, 2019 and 2018 is $35.3 million, $27.2 million and $19.3 million, respectively.

6. Debt and Financing Lease Obligations

Debt and finance lease obligations consisted of the following:

	January 31,	
(in thousands)	2020	2019
Revolving Credit Facility	$ 29,100	$ 266,500
Senior Notes	227,000	227,000
2017-B VIE Asset-backed Class B Notes	—	98,297
2017-B VIE Asset-backed Class C Notes	59,655	78,640
2018-A VIE Asset-backed Class A Notes	34,112	105,971
2018-A VIE Asset-backed Class B Notes	20,572	63,908
2018-A VIE Asset-backed Class C Notes	20,572	63,908
2019-A VIE Asset-backed Class A Notes	76,241	—
2019-A VIE Asset-backed Class B Notes	64,750	—
2019-A VIE Asset-backed Class C Notes	62,510	—
2019-B VIE Asset-backed Class A Notes	265,810	—
2019-B VIE Asset-backed Class B Notes	85,540	—
2019-B VIE Asset-backed Class C Notes	83,270	—
Warehouse Notes	—	53,635
Financing lease obligations	5,209	5,075
Total debt and financing lease obligations	1,034,341	962,934
Less:		
Discount on debt	(1,404)	(1,966)
Deferred debt issuance costs	(6,797)	(5,637)
Current maturities of long-term debt and financing lease obligations	(605)	(54,109)
Long-term debt and financing lease obligations	$ 1,025,535	$ 901,222

Future maturities of debt, excluding financing lease obligations, as of January 31, 2020 are as follows:

(in thousands)		
Year Ended January 31,		
2021	$	—
2022		—
2023		391,011
2024		203,501
2025		434,620
Total	$	1,029,132

Senior Notes. On July 1, 2014, we issued $250.0 million of unsecured Senior Notes due July 2022 bearing interest at 7.25%, (the “Senior Notes”) pursuant to an indenture dated July 1, 2014 (as amended, the “Indenture”), among Conn’s, Inc., its subsidiary guarantors (the “Guarantors”) and U.S. Bank National Association, as trustee. The effective interest rate of the Senior Notes after giving effect to the discount and issuance costs is 7.8%.

The Indenture restricts the Company’s and certain of its subsidiaries’ ability to: (i) incur indebtedness; (ii) pay dividends or make other distributions in respect of, or repurchase or redeem, our capital stock (“restricted payments”); (iii) prepay, redeem or repurchase debt that is junior in right of payment to the notes; (iv) make loans and certain investments; (v) sell assets; (vi) incur liens; (vii) enter into transactions with affiliates; and (viii) consolidate, merge or sell all or substantially all of our assets. These covenants are subject to a number of important exceptions and qualifications. During any time when the Senior Notes are rated investment grade by either of Moody’s Investors Service, Inc. or Standard & Poor’s Ratings Services and no default (as defined in the Indenture) has occurred and is continuing, many of such covenants will be suspended and we will cease to be subject to such covenants during such period. As of January 31, 2020, $190.1 million would have been free from the restricted payments covenant contained in the Indenture. Events of default under the Indenture include customary events, such as a cross-acceleration provision in the event that we fail to make payment of other indebtedness prior to the expiration of any applicable grace period or upon acceleration of indebtedness prior to its stated maturity date in an amount exceeding $25.0 million, as well as in the event a judgment is entered against us in excess of $25.0 million that is not discharged, bonded or insured.

Asset-backed Notes. From time to time, we securitize customer accounts receivables by transferring the receivables to various bankruptcy-remote VIEs. In turn, the VIEs issue asset-backed notes secured by the transferred customer accounts receivables and restricted cash held by the VIEs.

Under the terms of the securitization transactions, all cash collections and other cash proceeds of the customer receivables go first to the servicer and the holders of issued notes, and then to us as the holder of non-issued notes, if any, and residual equity. We retain the servicing of the securitized portfolios and receive a monthly fee of 4.75% (annualized) based on the outstanding balance of the securitized receivables. In addition, we, rather than the VIEs, retain all credit insurance income together with certain recoveries related to credit insurance and repair service agreements on charge-offs of the securitized receivables, which are reflected as a reduction to net charge-offs on a consolidated basis.

The asset-backed notes were offered and sold to qualified institutional buyers pursuant to the exemptions from registration provided by Rule 144A under the Securities Act. If an event of default were to occur under the indenture that governs the respective asset-backed notes, the payment of the outstanding amounts may be accelerated, in which event the cash proceeds of the receivables that otherwise might be released to the residual equity holder would instead be directed entirely toward repayment of the asset-backed notes, or if the receivables are liquidated, all liquidation proceeds could be directed solely to repayment of the asset-backed notes as governed by the respective terms of the asset-backed notes. The holders of the asset-backed notes have no recourse to assets outside of the VIEs. Events of default include, but are not limited to, failure to make required payments on the asset-backed notes or specified bankruptcy-related events.

The asset-backed notes outstanding as of January 31, 2020 consisted of the following:

Asset-Backed Notes	Original Principal Amount	Original Net Proceeds [1]	Current Principal Amount	Issuance Date	Maturity Date	Contractual Interest Rate	Effective Interest Rate [2]
2017-B Class C Notes	$ 78,640	$ 77,843	$ 59,655	12/20/2017	11/15/2022	5.95%	6.40%
2018-A Class A Notes	219,200	217,832	34,112	8/15/2018	1/17/2023	3.25%	4.82%
2018-A Class B Notes	69,550	69,020	20,572	8/15/2018	1/17/2023	4.65%	5.61%
2018-A Class C Notes	69,550	68,850	20,572	8/15/2018	1/17/2023	6.02%	6.98%
2019-A Class A Notes	254,530	253,026	76,241	4/24/2019	10/16/2023	3.40%	4.85%
2019-A Class B Notes	64,750	64,276	64,750	4/24/2019	10/16/2023	4.36%	5.14%
2019-A Class C Notes	62,510	61,898	62,510	4/24/2019	10/16/2023	5.29%	6.10%
2019-B Class A Notes	317,150	315,417	265,810	11/26/2019	6/17/2024	2.66%	3.63%
2019-B Class B Notes	85,540	84,916	85,540	11/26/2019	6/17/2024	3.62%	4.19%
2019-B Class C Notes	83,270	82,456	83,270	11/26/2019	6/17/2024	4.60%	5.17%
Total	$ 1,304,690	$ 1,295,534	$ 773,032				

(1) After giving effect to debt issuance costs.

(2) For the year ended January 31, 2020, and inclusive of the impact of changes in timing of actual and expected cash flows.

On November 26, 2019, the Company completed the issuance and sale of asset-backed notes at a face amount of $486.0 million secured by the transferred customer accounts receivables and restricted cash held by a VIE, which resulted in net proceeds to us of $482.8 million, net of debt issuance costs. Net proceeds from the offering were used to repay indebtedness under the Company's Revolving Credit Facility, as defined below, and for other general corporate purposes. The asset-backed notes mature on June 17, 2024 and consist of $317.2 million of 2.66% Asset Backed Fixed Rate Notes, Class A, Series 2019-B, $85.5 million of 3.62% Asset Backed Fixed Rate Notes, Class B, Series 2019-B and $83.3 million of 4.60% Asset Backed Fixed Rate Notes, Class C, Series 2019-B.

On April 24, 2019, the Company completed the issuance and sale of asset-backed notes at a face amount of $381.8 million secured by the transferred customer accounts receivables and restricted cash held by a VIE, which resulted in net proceeds to us of $379.2 million, net of debt issuance costs. Net proceeds from the offering were used to repay indebtedness under the Company's Revolving Credit Facility, as defined below, and for other general corporate purposes. The asset-backed notes mature on October 16, 2023 and consist of $254.5 million of 3.40% Asset Backed Fixed Rate Notes, Class A, Series 2019-A, $64.8 million of 4.36% Asset Backed Fixed Rate Notes, Class B, Series 2019-A and $62.5 million of 5.29% Asset Backed Fixed Rate Notes, Class C, Series 2019-A.

Revolving Credit Facility. On May 23, 2018, Conn's, Inc. and certain of its subsidiaries (the "Borrowers") entered into the Fourth Amended and Restated Loan and Security Agreement (the "Fourth Amendment"), dated as of October 30, 2015, with certain lenders, which provides for a $650.0 million asset-based revolving credit facility (as amended, the "Revolving Credit Facility") under which credit availability is subject to a borrowing base and a maturity date of May 23, 2022.

Loans under the Revolving Credit Facility bear interest, at our option, at a rate equal to LIBOR plus the applicable margin ranging from 2.50% to 3.25% per annum (depending on a pricing grid determined by our total leverage ratio) or the alternate base rate plus a margin ranging from 1.50% to 2.25% per annum (depending on a pricing grid determined by our total leverage ratio). The alternate base rate is the greatest of the prime rate, the federal funds effective rate plus 0.5%, or LIBOR for a 30-day interest period plus 1.0%. We also pay an unused fee on the portion of the commitments that is available for future borrowings or letters of credit at a rate ranging from 0.25% to 0.50% per annum, depending on the average outstanding balance and letters of credit of the Revolving Credit Facility in the immediately preceding quarter. The weighted-average interest rate on borrowings outstanding and including unused line fees under the Revolving Credit Facility was 6.4% for the year ended January 31, 2020.

The Revolving Credit Facility provides funding based on a borrowing base calculation that includes customer accounts receivable and inventory, and provides for a $40.0 million sub-facility for letters of credit to support obligations incurred in the ordinary course of business. The obligations under the Revolving Credit Facility are secured by substantially all assets of the Company, excluding the assets of the VIEs. As of January 31, 2020, we had immediately available borrowing capacity of $416.8 million under our Revolving Credit Facility, net of standby letters of credit issued of $2.5 million. We also had $201.6 million that may become available under our Revolving Credit Facility if we grow the balance of eligible customer receivables and total eligible

inventory balances. On March 18, 2020, the Company completed the borrowing of an additional $275.0 million under its $650.0 million Revolving Credit Facility, maturing in May 23, 2022. See Note 18, *Subsequent Events*, for additional details.

The Revolving Credit Facility places restrictions on our ability to incur additional indebtedness, grant liens on assets, make distributions on equity interests, dispose of assets, make loans, pay other indebtedness, engage in mergers, and other matters. The Revolving Credit Facility restricts our ability to make dividends and distributions unless no event of default exists and a liquidity test is satisfied. Subsidiaries of the Company may pay dividends and make distributions to the Company and other obligors under the Revolving Credit Facility without restriction. As of January 31, 2020, we were restricted from making distributions, including repayments of the Senior Notes or other distributions, in excess of $308.6 million as a result of the Revolving Credit Facility distribution restrictions. The Revolving Credit Facility contains customary default provisions, which, if triggered, could result in acceleration of all amounts outstanding under the Revolving Credit Facility.

Debt Covenants. We were in compliance with our debt covenants at January 31, 2020. A summary of the significant financial covenants that govern our Revolving Credit Facility compared to our actual compliance status at January 31, 2020 is presented below:

	Actual	Required Minimum/ Maximum
Interest Coverage Ratio for the quarter must equal or exceed minimum	3.29:1.00	1.00:1.00
Interest Coverage Ratio for the trailing two quarters must equal or exceed minimum	3.34:1.00	1.50:1.00
Leverage Ratio must not exceed maximum	1.98:1.00	4.00:1.00
ABS Excluded Leverage Ratio must not exceed maximum	0.85:1.00	2.00:1.00
Capital Expenditures, net, must not exceed maximum	$32.4 million	$100.0 million

All capitalized terms in the above table are defined by the Revolving Credit Facility and may or may not agree directly to the financial statement captions in this document. The covenants are calculated quarterly, except for capital expenditures, which is calculated for a period of four consecutive fiscal quarters, as of the end of each fiscal quarter.

7. Income Taxes

Deferred tax assets and liabilities consisted of the following:

	January 31,	
(in thousands)	**2020**	**2019**
Deferred tax assets:		
Allowance for doubtful accounts	$ 18,642	$ 22,637
Deferred rent	—	6,200
Deferred gains on sale-leaseback transactions	—	1,447
Deferred revenue	807	908
Indirect tax reserve	3,039	3,025
Inventories	1,796	1,711
Lease liability	81,241	—
Stock-based compensation	1,982	1,825
State net operating loss carryforwards	904	1,127
Other	2,614	3,093
Total deferred tax assets	111,025	41,973
Deferred tax liabilities:		
Right-of-use asset	(54,492)	—
Vendor prepayments	(1,147)	(1,066)
Sales tax receivable	(4,842)	(4,155)
Property and equipment	(31,627)	(8,694)
Other	(318)	(523)
Total deferred tax liabilities	(92,426)	(14,438)
Net deferred tax asset	$ 18,599	$ 27,535

Our state net operating loss carryforwards begin to expire starting with fiscal year 2028. Realization of our deferred tax asset ultimately depends on the existence of sufficient taxable income, which may include future taxable income and tax planning strategies. Based on the weight of available evidence at January 31, 2020, we believe that it is more likely than not that we will generate sufficient taxable income to utilize our entire deferred tax asset prior to its expiration.

Provision for income taxes consisted of the following:

	Year Ended January 31,		
(in thousands)	**2020**	**2019**	**2018**
Current:			
Federal	$ 9,215	$ 29,919	$ (25,891)
State	1,611	2,308	1,184
Total current	10,826	32,227	(24,707)
Deferred:			
Federal	7,590	(9,419)	49,536
State	(102)	121	342
Total deferred	7,488	(9,298)	49,878
Provision for income taxes	$ 18,314	$ 22,929	$ 25,171

A reconciliation of the provision (benefit) for income taxes at the U.S. federal statutory tax rate and the total tax provision for each of the periods presented in the statements of operations follows:

	Year Ended January 31,		
(in thousands)	**2020**	**2019**	**2018**
Income tax provision at U.S. federal statutory rate (1)	$ 15,607	$ 20,323	$ 10,696
State income taxes, net of federal benefit	2,011	2,068	1,910
Tax Act and other deferred tax adjustments	(910)	—	13,387
Provision to return adjustments	—	—	(1,142)
Employee benefits	1,873	1,096	—
Other	(267)	(558)	320
Provision for income taxes	$ 18,314	$ 22,929	$ 25,171

(1) As a result of H.R. 1 originally known as the Tax Cuts and Jobs Act (the "Tax Act"), the Company recorded a $0.3 million current income tax benefit in the fourth quarter of fiscal year 2018 as a result of using a 33.81% blended statutory rate for fiscal year 2018 instead of the prior statutory rate of 35%.

Federal tax returns for fiscal years subsequent to January 31, 2016, remain subject to examination. Generally, state tax returns for fiscal years subsequent to January 31, 2016 remain subject to examination.

Changes in the balance of unrecognized tax benefits, including interest and penalties on uncertain tax positions, were as follows:

	Year Ended January 31,		
(in thousands)	**2020**	**2019**	**2018**
Balance at February 1	$ (11,625)	$ —	$ —
Increases related to prior year tax positions	—	(12,084)	—
Decreases related to prior year tax positions	241	459	—
Balance at January 31	$ (11,384)	$ (11,625)	$ —

As of January 31, 2020 and 2019, there are $3.5 million and $3.5 million, respectively of unrecognized tax benefits that if recognized would favorably affect the Company's annual effective tax rate.

The Company recognizes interest and penalties related to unrecognized tax benefits in its provision for income taxes. During the years ended January 31, 2020 and 2019, the Company recognized interest and penalties of approximately $0.7 million and $0.1 million, respectively.

8. Leases

We lease most of our current store locations and certain of our facilities and operating equipment under operating leases. The fixed, non-cancelable terms of our real estate leases are generally five to fifteen years and generally include renewal options that allow us to extend the term beyond the initial non-cancelable term. However, prior to the expiration of the existing contract, the Company will typically renegotiate any lease contracts as opposed to continuing in the current lease under the renewal terms. As such, the lease renewal options are not recognized as part of the right-of-use assets and liabilities. Most of the real estate leases require payment of real estate taxes, insurance and certain common area maintenance costs in addition to future minimum lease payments. Equipment leases generally provide for initial lease terms of three to five years and provide for a purchase right at the end of the lease term at the then fair market value of the equipment.

Certain operating leases contain tenant allowance provisions, which obligate the landlord to remit cash to us as an incentive to enter into the lease agreement. We record the full amount to be remitted by the landlord as a reduction to the operating lease right-of-use assets upon commencement of the lease and amortize the balance on a straight-line basis over the life of the lease.

Supplemental lease information is summarized below:

		January 31,	
(in thousands)	*Balance sheet classification*	2020	
Assets			
Operating lease assets	Operating lease right-of-use assets	$	242,457
Finance lease assets	Property and equipment, net		5,028
Total leased assets		$	247,485
Liabilities			
Operating [(1)]	Operating lease liability - current	$	47,118
Finance	Current maturities of debt and finance lease obligations		605
Operating	Operating lease liability - non current		329,081
Finance	Long-term debt and finance lease obligations		4,604
Total lease liabilities		$	381,408

(1) Represents the gross operating lease liability before tenant improvement allowances. As of January 31, 2020, we had $11.7 million of tenant improvement allowances to be remitted by the landlord.

Lease Cost		Year Ended January 31,	
(in thousands)	*Income statement classification*	2020	
Operating lease costs [(1)]	Selling, general and administrative expense	$	57,501
Impairment of ROU asset	Charges and credits		1,933
Total operating lease cost		$	59,434

(1) Includes short-term and variable lease costs, which are not significant.

Operating lease right-of-use assets ("ROU Assets") and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our estimated incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

Operating lease ROU Assets are regularly reviewed for impairment under the long-lived assets impairment guidance in *ASC Subtopic 360-10, Property, Plant, and Equipment - Overall*. For the years ended January 31, 2020, we recognized $1.9 million of impairments of ROU Assets on the consolidated statement of operations from the exiting of certain leases upon relocation of three of our distribution centers into one facility. See Note 4, *Charges and Credits*, for additional details.

Additional details regarding the Company’s leasing activities as a lessee are presented below:

Other Information	**Year Ended January 31,**
(dollars in thousands)	**2020**
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows for operating leases	$ 69,829
Weighted-average remaining lease term (in years)	
Finance leases	11.2
Operating leases	7.1
Weighted-average discount rate	
Finance leases	6.1%
Operating leases [(1)]	8.3%

(1) Upon adoption of ASC 842, discount rates for existing operating leases were established as of February 1, 2019.

For the years ended January 31, 2020, 2019 and 2018, total rent expense was $58.1 million, $52.7 million and $51.4 million, respectively.

The following table presents a summary of our minimum contractual commitments and obligations as of January 31, 2020:

(in thousands)	**Operating Leases**	**Finance Leases**	**Total**
Year ending January 31,			
2021	$ 75,906	$ 916	$ 76,822
2022	75,660	916	76,576
2023	73,880	661	74,541
2024	68,519	831	69,350
2025	58,024	551	58,575
Thereafter	147,181	3,448	150,629
Total undiscounted cash flows	499,170	7,323	506,493
Less: Interest	122,971	2,114	125,085
Total lease liabilities	$ 376,199	$ 5,209	$ 381,408

9. Stock-Based Compensation

On May 25, 2016, our stockholders approved the Conn’s, Inc. 2016 Omnibus Incentive Plan (“2016 Plan”), which replaced our 2011 Omnibus Incentive Plan (“2011 Plan”) and our Amended and Restated 2003 Incentive Stock Option Plan (“2003 Plan”). The 2016 Plan, as originally adopted, provided for 1,200,000 shares of Company common stock available for issuance. Shares subject to an award under the 2016 Plan, the 2011 Plan or the 2003 Plan that lapse, expire, are forfeited or terminated, or are settled in cash will again become available for future grant under the 2016 Plan. Shares will not become available for future grant under the 2016 Plan if delivered or withheld to pay withholding taxes or the exercise price of an option or repurchased on the open market with the proceeds of an option exercise. On May 31, 2017, our shareholders approved an amendment to the 2016 Plan authorizing an additional 1,400,000 shares of Company common stock for awards. During fiscal year 2020, 795,998 shares forfeited under the 2003 Plan and 2011 Plan were determined to be available under the 2016 Plan for future issuance. This includes 790,161 shares forfeited in prior fiscal years but determined to be available under the 2016 Plan.

Our 2016 Plan is an equity-based compensation plan that allows for the grant of a variety of awards, including stock options, restricted stock awards, RSUs, PSUs, stock appreciation rights and performance and cash awards. Awards are generally granted once per year, with the amount and type of awards determined by the Compensation Committee of our Board of Directors (the “Committee”). Stock options, RSUs and PSUs are subject to early termination provisions but generally vest over a period of four years from the date of grant. Stock options under the various plans are issued with exercise prices equal to the market value on the date of the grant and, typically, expire ten years after the date of grant.

In the event of a change in control of the Company, as defined in the 2016 Plan, the Board of Directors of the Company (“Board of Directors”) may cause some or all outstanding awards to fully or partially vest, either upon the change in control or upon a subsequent termination of employment or service, and may provide that any applicable performance criteria be deemed satisfied

at the target or any other level. The Board of Directors may also cause outstanding awards to terminate in exchange for a cash or stock payment or to be substituted or assumed by the surviving corporation.

We also continue to maintain the 2003 Non-Employee Director Stock Option Plan and 2011 Non-Employee Director Restricted Stock Plan.

As of January 31, 2020, shares authorized for future issuance were: 1,396,632 under the 2016 Plan (which includes 795,998 shares from the 2003 Plan and 2011 Plan that were forfeited); 120,000 under the 2003 Non-Employee Director Stock Option Plan; and 48,991 under the 2011 Non-Employee Director Restricted Stock Plan.

Stock-Based Compensation Expense. Total stock-based compensation expense, recognized primarily in SG&A, from stock-based compensation consisted of the following:

	Year Ended January 31,		
(in thousands)	2020	2019	2018
Stock options	$ 3,978	$ 3,414	$ 236
RSUs and PSUs	8,316	8,540	7,622
Employee stock purchase plan	256	263	220
Accelerated RSU expense charged to severance	—	—	602
	$ 12,550	$ 12,217	$ 8,680

During the years ended January 31, 2020, 2019, and 2018, we recognized tax benefits related to stock-based compensation of $1.4 million, $1.7 million and $1.7 million, respectively. As of January 31, 2020, the total unrecognized compensation cost related to all unvested stock-based compensation awards was $13.2 million and is expected to be recognized over a weighted-average period of 1.9 years. The total fair value of RSUs and stock options vested during fiscal years 2020, 2019 and 2018 was $8.4 million, $12.6 million and $6.0 million, respectively, based on the market price at the vesting date.

Stock Options. No stock options were awarded during fiscal year 2020 or 2018. During fiscal year 2019, 620,166 stock options were awarded with an exercise price of $32.35 per share. The stock options awarded vest in equal installments three and four years from the date of grant and expire ten years from the date of grant. The fair values of the stock options at grant date ranged from $20.00 to $21.67 per share. The fair values of the stock option awards were determined using the Black-Scholes option pricing model. The weighted-average assumptions for the option awards granted in fiscal year 2019 included expected volatility of 68%, an expected term of six to seven years and risk-free interest rate of 2.69%. No dividend yield was included in the weighted-average assumptions for the options awards granted in fiscal year 2019.

The following table summarizes the activity for outstanding stock options:

	Shares Under Option	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life
Outstanding, January 31, 2019	772,731	$ 28.49	
Granted	—	$ —	
Exercised	(24,340)	$ 9.11	
Forfeited and expired	(4,200)	$ 4.84	
Outstanding, January 31, 2020	744,191	$ 29.73	7.7
Vested and expected to vest, January 31, 2020	744,191	$ 29.73	7.7
Exercisable, January 31, 2020	99,023	$ 16.03	5.3

During the years ended January 31, 2020, 2019 and 2018, the total intrinsic value of stock options exercised was $0.4 million, $0.4 million and $2.3 million, respectively. The aggregate intrinsic value of stock options outstanding, vested and expected to vest and exercisable at January 31, 2020 was approximately $0.1 million. The total fair value of common stock options vested during fiscal years 2020, 2019 and 2018 was $0.3 million, $0.5 million and $0.9 million, respectively, based on the market price at the vesting date.

Restricted Stock Units. The restricted stock program consists of a combination of PSUs and RSUs. The number of PSUs issued under the program is dependent upon a measurement of earnings before interest, taxes, depreciation and amortization ("EBITDA")

target for the period identified in the grant, which is three years. In the event EBITDA exceeds the respective predefined target, shares for up to a maximum of 150% of the target award may be granted. In the event the EBITDA falls below the respective predefined target, a reduced number of shares may be granted. If the EBITDA falls below the respective threshold performance level, no shares will be granted. PSUs vest on predetermined schedules, which occur over three years. RSUs vest on a straight-line basis over their term, which is generally three to five years.

The following table summarizes the activity for RSUs and PSUs:

	Time-Based RSUs		Performance-Based RSUs		
	Number of Units	Weighted-Average Grant Date Fair Value	Number of Units	Weighted-Average Grant Date Fair Value	Total Number of Units
Balance, January 31, 2019	884,275	$ 18.73	467,000	$ 11.66	1,351,275
Granted	108,588	$ 19.68	33,894	$ 23.39	142,482
Vested and converted to common stock	(369,839)	$ 16.99	—	$ —	(369,839)
Forfeited	(34,201)	$ 20.05	(7,000)	$ 11.60	(41,201)
Balance, January 31, 2020	588,823	$ 19.92	493,894	$ 12.47	1,082,717

The total fair value of restricted and performance shares vested during fiscal years 2020, 2019 and 2018 was $8.1 million, $12.1 million, and $5.1 million, respectively, based on the market price at the vesting date. The total fair value of restricted and performance shares granted during fiscal years 2020, 2019 and 2018 was $2.9 million, $7.6 million and $17.2 million, respectively.

Employee Stock Purchase Plan. Our Employee Stock Purchase Plan is available to our employees, subject to minimum employment conditions and maximum compensation limitations. At the end of each calendar quarter, employee contributions are used to acquire shares of common stock at 85% of the lower of the fair market value of the common stock on the first or last day of the calendar quarter. During the years ended January 31, 2020, 2019 and 2018, we issued 53,459, 34,922 and 57,937 shares of common stock, respectively, to employees participating in the plan, leaving 718,263 shares remaining reserved for future issuance under the plan as of January 31, 2020.

10. Significant Vendors

As shown in the table below, a significant portion of our merchandise purchases were made from six vendors:

	Year Ended January 31,		
	2020	2019	2018
Vendor A	33.6%	25.3%	27.6%
Vendor B	16.3	16.1	14.8
Vendor C	11.0	7.0	6.5
Vendor D	9.6	6.7	5.3
Vendor E	9.5	5.2	4.1
Vendor F	5.7	5.0	3.8
	85.7%	65.3%	62.1%

The vendors shown above represent the top six vendors with the highest volume in each period shown. The same vendor may not necessarily be represented in all periods presented.

11. Defined Contribution Plan

We have established a defined contribution 401(k) plan for eligible employees. Employees may contribute up to 50% of their eligible pretax compensation to the plan and we match 100% of the first 3% of the employees' contributions and an additional 50% of the next 2% of the employees' contributions. At our option, we may make supplemental contributions to the plan, but have not made such supplemental contributions in the past three years. The matching contributions made by us totaled $1.9 million, $1.4 million and $1.1 million during the years ended January 31, 2020, 2019 and 2018, respectively.

12. Contingencies

Securities Litigation. On April 2, 2018, MicroCapital Fund, LP, MicroCapital Fund, Ltd., and MicroCapital LLC (collectively, “MicroCapital”) filed a lawsuit against us and certain of our former executive officers in the U.S. District Court for the Southern District of Texas, Cause No. 4:18-CV-01020 (the “MicroCapital Action”). The plaintiffs in this action allege that the defendants made false and misleading statements or failed to disclose material facts about our credit and underwriting practices, accounting and internal controls. Plaintiffs allege violations of sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, Texas and Connecticut common law fraud, and Texas common law negligent misrepresentation against all defendants; as well as violations of section 20A of the Securities Exchange Act of 1934; and Connecticut common law negligent misrepresentation against certain defendants arising from plaintiffs’ purchase of Conn’s, Inc. securities between April 3, 2013 and February 20, 2014. The complaint does not specify the amount of damages sought.

The Court previously had stayed the MicroCapital Action pending resolution of other outstanding litigation (In re Conn’s Inc. Sec. Litig., Cause No. 14-CV-00548 (S.D. Tex.) (the “Consolidated Securities Action”)), which was settled in October 2018. After that settlement, the stay was lifted, and the defendants filed a motion to dismiss plaintiff’s complaint in the MicroCapital Action on November 6, 2018. Briefing on the motion to dismiss was completed on January 16, 2019. On July 26, 2019, the magistrate judge to which defendants’ motion to dismiss had been assigned issued a report and recommendation, recommending that defendants’ motion to dismiss the complaint be granted in part and denied in part. Both parties filed timely objections to that report and recommendation on August 9, 2019. On September 25, 2019, the district court adopted the magistrate judge’s report and recommendation, which permitted MicroCapital to file an amended complaint, which MicroCapital filed on October 30, 2019. On November 8, 2019, the parties filed a joint discovery and case management plan, proposing various deadlines. Defendants filed their answer to the amended complaint on November 27, 2019. The parties are currently engaging in discovery.

We intend to vigorously defend our interests in the MicroCapital Action. It is not possible at this time to predict the timing or outcome of this litigation, and we cannot reasonably estimate the possible loss or range of possible loss from these claims.

Derivative Litigation. On December 1, 2014, an alleged shareholder, purportedly on behalf of the Company, filed a derivative shareholder lawsuit against us and certain of our current and former directors and former executive officers in the U.S. District Court for the Southern District of Texas, captioned as Robert Hack, derivatively on behalf of Conn’s, Inc., v. Theodore M. Wright (former executive officer and former director), Bob L. Martin, Jon E.M. Jacoby (former director), Kelly M. Malson, Douglas H. Martin, David Schofman, Scott L. Thompson (former director), Brian Taylor (former executive officer) and Michael J. Poppe (former executive officer) and Conn’s, Inc., Case No. 4:14-cv-03442 (the “Original Derivative Action”). The complaint asserts claims for breach of fiduciary duty, unjust enrichment, gross mismanagement, and insider trading based on substantially similar factual allegations as those asserted in the Consolidated Securities Action. The plaintiff seeks unspecified damages against these persons and does not request any damages from us. Setting forth substantially similar claims against the same defendants, on February 25, 2015, an additional federal derivative action, captioned 95250 Canada LTEE, derivatively on Behalf of Conn’s, Inc. v. Wright et al., Cause No. 4:15-cv-00521, was filed in the U.S. District Court for the Southern District of Texas, which has been consolidated with the Original Derivative Action.

The Court previously approved a stipulation among the parties to stay the Original Derivative Action pending resolution of the Consolidated Securities Action. The stay was lifted on November 1, 2018, and the defendants filed a motion to dismiss plaintiff’s complaint. Briefing on the motion to dismiss was completed December 3, 2018, and the parties began engaging in discovery. On May 29, 2019, the magistrate judge, to which defendants’ motion to dismiss had been assigned, issued a report and recommendation, recommending that defendants’ motion to dismiss the complaint be granted, but recommended that the plaintiff be permitted to replead his claims. The district court adopted the recommendation on July 5, 2019.

On July 19, 2019, plaintiff filed an amended complaint. On August 13, 2019, the magistrate judge issued a new scheduling order, which permitted defendants to file a motion to dismiss the amended complaint on demand-futility grounds. That briefing was completed on October 15, 2019. On November 1, 2019, the magistrate judge heard argument on the motion to dismiss and postponed certain deadlines. On February 7, 2020, the judge issued a new scheduling order, again postponing deadlines and removing a trial date from the schedule. The motion to dismiss remains pending. As ordered by the court, the parties are engaging in discovery while the motion to dismiss is pending.

Another derivative action was filed on January 27, 2015, captioned as Richard A. Dohn v. Wright, et al., Cause No. 2015-04405, in the 281st Judicial District Court, Harris County, Texas. This action makes substantially similar allegations to the Original Derivative Action against the same defendants. We received a copy of the proposed amended petition on October 12, 2018, but the proposed amended petition has not yet been filed. The parties jointly requested a stay on this case pending resolution of the Original Derivative Action. This case remains stayed until at least June 19, 2020.

Prior to filing a lawsuit, an alleged shareholder, Robert J. Casey II (“Casey”), submitted a demand under Delaware law, which our Board of Directors refused. On May 19, 2016, Casey, purportedly on behalf of the Company, filed a lawsuit against us and certain of our current and former directors and former executive officers in the 55th Judicial District Court, Harris County, Texas, captioned

as Casey, derivatively on behalf of Conn’s, Inc., v. Theodore M. Wright (former executive officer and former director), Michael J. Poppe (former executive officer), Brian Taylor (former executive officer), Bob L. Martin, Jon E.M. Jacoby (former director), Kelly M. Malson, Douglas H. Martin, David Schofman, Scott L. Thompson (former director) and William E. Saunders Jr., and Conn’s, Inc., Cause No. 2016-33135. The complaint asserts claims for breach of fiduciary duties and unjust enrichment based on substantially similar factual allegations as those asserted in the Original Derivative Action. The complaint does not specify the amount of damages sought. No further activity has occurred in this case since the Final Order and Judgment was entered in the Consolidated Securities Action.

Other than Casey, none of the plaintiffs in the other derivative actions made a demand on our Board of Directors prior to filing their respective lawsuits. The defendants in the derivative actions intend to vigorously defend against these claims. It is not possible at this time to predict the timing or outcome of any of this litigation, and we cannot reasonably estimate the possible loss or range of possible loss from these claims.

We are involved in other routine litigation and claims incidental to our business from time to time which, individually or in the aggregate, are not expected to have a material adverse effect on us. As required, we accrue estimates of the probable costs for the resolution of these matters. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. However, the results of these proceedings cannot be predicted with certainty, and changes in facts and circumstances could impact our estimate of reserves for litigation. The Company believes that any probable and reasonably estimable loss associated with the foregoing has been adequately reflected in the accompanying financial statements.

13. Variable Interest Entities

From time to time, we securitize customer accounts receivables by transferring the receivables to various bankruptcy-remote VIEs. Under the terms of the respective securitization transactions, all cash collections and other cash proceeds of the customer receivables go first to the servicer and the holders of the asset-backed notes, and then to the residual equity holder. We retain the servicing of the securitized portfolio and receive a monthly fee of 4.75% (annualized) based on the outstanding balance of the securitized receivables, and we currently hold all of the residual equity. In addition, we, rather than the VIEs, will retain certain credit insurance income together with certain recoveries related to credit insurance and RSAs on charge-offs of the securitized receivables, which will continue to be reflected as a reduction of net charge-offs on a consolidated basis for as long as we consolidate the VIEs.

We consolidate VIEs when we determine that we are the primary beneficiary of these VIEs, we have the power to direct the activities that most significantly impact the performance of the VIEs and our obligation to absorb losses and the right to receive residual returns are significant.

The following table presents the assets and liabilities held by the VIEs (for legal purposes, the assets and liabilities of the VIEs will remain distinct from Conn’s, Inc.):

(in thousands)	January 31, 2020	January 31, 2019
Assets:		
Restricted cash	$ 73,214	$ 57,475
Due from (due to) Conn’s, Inc., net	307	5,504
Customer accounts receivable:		
Customer accounts receivable	838,210	538,826
Restructured accounts	147,971	135,834
Allowance for uncollectible accounts	(151,263)	(106,327)
Allowance for no-interest option credit programs	(12,445)	(8,047)
Deferred fees and origination costs	(8,255)	(5,321)
Total customer accounts receivable, net	814,218	554,965
Total assets	**$ 887,739**	**$ 617,944**
Liabilities:		
Accrued expenses	$ 5,517	$ 3,939
Other liabilities	7,584	5,513
Short-term debt:		
Warehouse Notes	—	53,635
Long-term debt:		
2017-B Class B Notes	—	98,297
2017-B Class C Notes	59,655	78,640
2018-A Class A Notes	34,112	105,971
2018-A Class B Notes	20,572	63,908
2018-A Class C Notes	20,572	63,908
2019-A Class A Notes	76,241	—
2019-A Class B Notes	64,750	—
2019-A Class C Notes	62,510	—
2019-B Class A Notes	265,810	—
2019-B Class B Notes	85,540	—
2019-B Class C Notes	83,270	—
	773,032	410,724
Less deferred debt issuance costs	(4,911)	(2,731)
Total long-term debt	768,121	407,993
Total debt	768,121	461,628
Total liabilities	**$ 781,222**	**$ 471,080**

The assets of the VIEs serve as collateral for the obligations of the VIEs. The holders of asset-backed notes have no recourse to assets outside of the respective VIEs.

14. Segment Information

Operating segments are defined as components of an enterprise that engage in business activities and for which discrete financial information is available that is evaluated on a regular basis by the chief operating decision maker to make decisions about how to allocate resources and assess performance. We are a leading specialty retailer and offer a broad selection of quality, branded durable consumer goods and related services in addition to a proprietary credit solution for our core credit-constrained consumers. We have two operating segments: (i) retail and (ii) credit. Our operating segments complement one another. The retail segment

operates primarily through our stores and website. Our retail segment product offerings include furniture and mattresses, home appliances, consumer electronics and home office products from leading global brands across a wide range of price points. Our credit segment offers affordable financing solutions to a large, under-served population of credit-constrained consumers who typically have limited credit alternatives. Our operating segments provide customers the opportunity to comparison shop across brands with confidence in our competitive prices as well as affordable monthly payment options, next day delivery and installation in the majority of our markets, and product repair service. The operating segments follow the same accounting policies used in our consolidated financial statements.

We evaluate a segment's performance based upon operating income before taxes. SG&A includes the direct expenses of the retail and credit operations, allocated overhead expenses, and a charge to the credit segment to reimburse the retail segment for expenses it incurs related to occupancy, personnel, advertising and other direct costs of the retail segment which benefit the credit operations by sourcing credit customers and collecting payments. The reimbursement received by the retail segment from the credit segment is calculated using an annual rate of 2.5% times the average outstanding portfolio balance for each applicable period.

As of January 31, 2020, we operated retail stores in 14 states with no operations outside of the United States. No single customer accounts for more than 10% of our total revenues.

Financial information by segment is presented in the following tables:

	Year Ended January 31, 2020		
(in thousands)	**Retail**	**Credit**	**Total**
Revenues:			
Furniture and mattress	$ 370,931	$ —	$ 370,931
Home appliance	360,441	—	360,441
Consumer electronics	221,449	—	221,449
Home office	73,074	—	73,074
Other	16,529	—	16,529
Product sales	1,042,424	—	1,042,424
Repair service agreement commissions	106,997	—	106,997
Service revenues	13,814	—	13,814
Total net sales	1,163,235	—	1,163,235
Finance charges and other revenues	810	379,641	380,451
Total revenues	**1,164,045**	**379,641**	**1,543,686**
Costs and expenses:			
Cost of goods sold	697,784	—	697,784
Selling, general and administrative expense [1]	346,108	156,916	503,024
Provision for bad debts	905	204,312	205,217
Charges and credits	1,933	1,209	3,142
Total costs and expenses	**1,046,730**	**362,437**	**1,409,167**
Operating income	**117,315**	**17,204**	**134,519**
Interest expense	—	59,107	59,107
Loss on extinguishment of debt	—	1,094	1,094
Income (loss) before income taxes	**$ 117,315**	**$ (42,997)**	**$ 74,318**
Additional Disclosures:			
Property and equipment additions	$ 62,244	$ 200	$ 62,444
Depreciation expense	$ 35,783	$ 1,058	$ 36,841

	January 31, 2020		
(in thousands)	**Retail**	**Credit**	**Total**
Total assets	**$ 641,812**	**$ 1,526,957**	**$ 2,168,769**

	Year Ended January 31, 2019		
(in thousands)	**Retail**	**Credit**	**Total**
Revenues:			
Furniture and mattress	$ 382,975	$ —	$ 382,975
Home appliance	332,609	—	332,609
Consumer electronics	262,088	—	262,088
Home office	86,260	—	86,260
Other	14,703	—	14,703
Product sales	1,078,635	—	1,078,635
Repair service agreement commissions	101,928	—	101,928
Service revenues	14,111	—	14,111
Total net sales	1,194,674	—	1,194,674
Finance charges and other revenues	447	354,692	355,139
Total revenues	**1,195,121**	**354,692**	**1,549,813**
Costs and expenses:			
Cost of goods sold	702,135	—	702,135
Selling, general and administrative expense [1]	328,628	151,933	480,561
Provision for bad debts	1,009	197,073	198,082
Charges and credits	2,980	4,800	7,780
Total costs and expenses	**1,034,752**	**353,806**	**1,388,558**
Operating income	**160,369**	**886**	**161,255**
Interest expense	—	62,704	62,704
Loss on extinguishment of debt	—	1,773	1,773
Income (loss) before income taxes	**$ 160,369**	**$ (63,591)**	**$ 96,778**
Additional Disclosures:			
Property and equipment additions	$ 36,110	$ 1,384	$ 37,494
Depreciation expense	$ 30,739	$ 845	$ 31,584

	January 31, 2019		
(in thousands)	**Retail**	**Credit**	**Total**
Total assets	**$ 405,542**	**$ 1,479,365**	**$ 1,884,907**

	Year Ended January 31, 2018		
(in thousands)	Retail	Credit	Total
Revenues:			
Furniture and mattress	$ 393,853	$ —	$ 393,853
Home appliance	337,538	—	337,538
Consumer electronics	248,727	—	248,727
Home office	80,330	—	80,330
Other	17,426	—	17,426
Product sales	1,077,874	—	1,077,874
Repair service agreement commissions	100,383	—	100,383
Service revenues	13,710	—	13,710
Total net sales	1,191,967	—	1,191,967
Finance charges and other revenues	341	323,723	324,064
Total revenues	**1,192,308**	**323,723**	**1,516,031**
Costs and expenses:			
Cost of goods sold	720,344	—	720,344
Selling, general and administrative expense (1)	316,325	134,088	450,413
Provision for bad debts	829	216,046	216,875
Charges and credits	13,331	—	13,331
Total costs and expenses	**1,050,829**	**350,134**	**1,400,963**
Operating income (loss)	**141,479**	**(26,411)**	**115,068**
Interest expense	—	80,160	80,160
Loss on extinguishment of debt	—	3,274	3,274
Income (loss) before income taxes	**$ 141,479**	**$ (109,845)**	**$ 31,634**
Additional Disclosures:			
Property and equipment additions	$ 21,285	$ 42	$ 21,327
Depreciation expense	$ 30,065	$ 741	$ 30,806

	January 31, 2018		
(in thousands)	Retail	Credit	Total
Total assets	**$ 344,327**	**$ 1,556,472**	**$ 1,900,799**

(1) For the years ended January 31, 2020, 2019 and 2018, the amount of overhead allocated to each segment reflected in SG&A was $30.0 million, $36.4 million and $27.6 million, respectively. For the years ended January 31, 2020, 2019 and 2018, the amount of reimbursement made to the retail segment by the credit segment was $39.1 million, $38.1 million and $37.4 million, respectively.

15. Guarantor Financial Information

Conn's, Inc. is a holding company with no independent assets or operations other than its investments in its subsidiaries. The Senior Notes, which were issued by Conn's, Inc., are fully and unconditionally guaranteed on a joint and several senior unsecured basis by the Guarantors. As of January 31, 2020 and 2019, the direct or indirect subsidiaries of Conn's, Inc. that were not Guarantors (the "Non-Guarantor Subsidiaries") were the VIEs and minor subsidiaries. There are no restrictions under the Indenture on the ability of any of the Guarantors to transfer funds to Conn's, Inc. in the form of dividends or distributions.

The following financial information presents the Consolidated Balance Sheet, Statement of Operations, and Statement of Cash Flows for Conn's, Inc. (the issuer of the Senior Notes), the Guarantors, and the Non-Guarantor Subsidiaries, together with certain eliminations. Investments in subsidiaries are accounted for by the parent company using the equity method for purposes of this presentation. Results of operations of subsidiaries are therefore reflected in the parent company's investment accounts and operations. The consolidated financial information includes financial data for:

(i) Conn's, Inc. (on a parent-only basis),

(ii) Guarantors,

(iii) Non-Guarantor Subsidiaries, and

(iv) the parent company and the subsidiaries on a consolidated basis at January 31, 2020 and 2019 (after the elimination of intercompany balances and transactions).

Consolidated Balance Sheets as of January 31, 2020

(in thousands)	Conn’s, Inc.	Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ —	$ 5,485	$ —	$ —	$ 5,485
Restricted cash	—	2,156	73,214	—	75,370
Customer accounts receivable, net of allowances	—	279,978	393,764	—	673,742
Other accounts receivable	—	68,753	—	—	68,753
Inventories	—	219,756	—	—	219,756
Other current assets	—	19,452	307	(3,999)	15,760
Total current assets	**—**	**595,580**	**467,285**	**(3,999)**	**1,058,866**
Investment in and advances to subsidiaries	832,980	106,517	—	(939,497)	—
Long-term portion of customer accounts receivable, net of allowance	—	243,307	420,454	—	663,761
Property and equipment, net	—	173,031	—	—	173,031
Operating lease right-of-use assets	—	242,457	—	—	242,457
Deferred income taxes	18,599	—	—	—	18,599
Other assets	—	12,055	—	—	12,055
Total assets	**$ 851,579**	**$ 1,372,947**	**$ 887,739**	**$ (943,496)**	**$ 2,168,769**
Liabilities and Stockholders’ Equity					
Current liabilities:					
Current maturities of debt and financing lease obligations	$ —	$ 605	$ —	$ —	$ 605
Accounts payable	—	48,554	—	—	48,554
Accrued expenses	686	60,886	5,517	(3,999)	63,090
Operating lease liability - current	—	35,390	—	—	35,390
Other current liabilities	—	10,416	4,215	—	14,631
Total current liabilities	**686**	**155,851**	**9,732**	**(3,999)**	**162,270**
Operating lease liability - non current	—	329,081	—	—	329,081
Long-term debt and financing lease obligations	223,713	33,701	768,121	—	1,025,535
Other long-term liabilities	—	21,334	3,369	—	24,703
Total liabilities	**224,399**	**539,967**	**781,222**	**(3,999)**	**1,541,589**
Total stockholders’ equity	**627,180**	**832,980**	**106,517**	**(939,497)**	**627,180**
Total liabilities and stockholders’ equity	**$ 851,579**	**$ 1,372,947**	**$ 887,739**	**$ (943,496)**	**$ 2,168,769**

Deferred income taxes related to tax attributes of the Guarantors and Non-Guarantor Subsidiaries are reflected under Conn’s, Inc.

Consolidated Statements of Operations for the year ended January 31, 2020

(in thousands)	Conn's, Inc.	Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues:					
Total net sales	$ —	$ 1,163,235	$ —	$ —	$ 1,163,235
Finance charges and other revenues	—	219,442	161,009	—	380,451
Servicing fee revenue	—	38,240	—	(38,240)	—
Total revenues	**—**	**1,420,917**	**161,009**	**(38,240)**	**1,543,686**
Costs and expenses:					
Cost of goods sold	—	697,784	—	—	697,784
Selling, general and administrative expense	—	502,398	38,866	(38,240)	503,024
Provision for bad debts	—	128,230	76,987	—	205,217
Charges and credits	—	3,142	—	—	3,142
Total costs and expenses	**—**	**1,331,554**	**115,853**	**(38,240)**	**1,409,167**
Operating income	**—**	**89,363**	**45,156**	**—**	**134,519**
Interest expense	17,777	11,986	29,344	—	59,107
Loss on extinguishment of debt	—	1,094	—	—	1,094
Income (loss) before income taxes	**(17,777)**	**76,283**	**15,812**	**—**	**74,318**
Provision (benefit) for income taxes	(4,381)	18,798	3,897	—	18,314
Net income (loss)	**(13,396)**	**57,485**	**11,915**	**—**	**56,004**
Income from consolidated subsidiaries	69,399	11,915	—	(81,314)	—
Consolidated net income	**$ 56,003**	**$ 69,400**	**$ 11,915**	**$ (81,314)**	**$ 56,004**

Consolidated Statements of Cash Flows for the year ended January 31, 2020

(in thousands)	Conn's, Inc.	Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	**$ (988)**	**$ 366,536**	**$ (285,482)**	**$ —**	**$ 80,066**
Cash flows from investing activities:					
Purchase of customer accounts receivables	—	—	(482,788)	482,788	—
Sale of customer accounts receivables	—	—	482,788	(482,788)	—
Purchase of property and equipment	—	(57,546)	—	—	(57,546)
Proceeds from asset dispositions	—	724	—	—	724
Investment in subsidiary	—	(66,290)	—	66,290	—
Net cash used in investing activities	**—**	**(123,112)**	**—**	**66,290**	**(56,822)**
Cash flows from financing activities:					
Proceeds from issuance of asset-backed notes	—	—	867,750	—	867,750
Payments on asset-backed notes	—	—	(505,442)	—	(505,442)
Borrowings from Revolving Credit Facility	—	1,625,440	—	—	1,625,440
Contribution from subsidiary	66,290	—	—	(66,290)	—
Payments on Revolving Credit Facility	—	(1,865,069)	—	—	(1,865,069)
Payments of debt issuance costs and amendment fees	—	(424)	(7,452)	—	(7,876)
Payments on warehouse facility	—	—	(53,635)	—	(53,635)
Proceeds from stock issued under employee benefit plans	988	—	—	—	988
Tax payments associated with equity-based compensation transactions	—	(2,216)	—	—	(2,216)
Payment for share repurchases	(66,290)	—	—	—	(66,290)
Other	—	(976)	—	—	(976)
Net cash provided by (used in) financing activities	**988**	**(243,245)**	**301,221**	**(66,290)**	**(7,326)**
Net change in cash, cash equivalents and restricted cash	**—**	**179**	**15,739**	**—**	**15,918**
Cash, cash equivalents and restricted cash, beginning of period	—	7,462	57,475	—	64,937
Cash, cash equivalents and restricted cash, end of period	**$ —**	**$ 7,641**	**$ 73,214**	**$ —**	**$ 80,855**

CONN'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets as of January 31, 2019

(in thousands)	Conn's, Inc.	Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ —	$ 5,912	$ —	$ —	$ 5,912
Restricted cash	—	1,550	57,475	—	59,025
Customer accounts receivable, net of allowances	—	328,705	324,064	—	652,769
Other accounts receivable	—	67,078	—	—	67,078
Inventories	—	220,034	—	—	220,034
Other current assets	—	12,344	5,504	(8,272)	9,576
Total current assets	**—**	**635,623**	**387,043**	**(8,272)**	**1,014,394**
Investment in and advances to subsidiaries	815,524	146,864	—	(962,388)	—
Long-term portion of customer accounts receivable, net of allowance	—	455,443	230,901	—	686,344
Property and equipment, net	—	148,983	—	—	148,983
Deferred income taxes	27,535	—	—	—	27,535
Other assets	—	7,651	—	—	7,651
Total assets	**$ 843,059**	**$ 1,394,564**	**$ 617,944**	**$ (970,660)**	**$ 1,884,907**
Liabilities and Stockholders' Equity					
Current liabilities:					
Current maturities of debt and financing lease obligations	$ —	$ 474	$ 53,635	$ —	$ 54,109
Accounts payable	—	71,118	—	—	71,118
Accrued expenses	686	88,478	3,939	(2,768)	90,335
Other current liabilities	—	24,918	2,592	(5,504)	22,006
Total current liabilities	**686**	**184,988**	**60,166**	**(8,272)**	**237,568**
Deferred rent	—	93,127	—	—	93,127
Long-term debt and financing lease obligations	222,398	270,831	407,993	—	901,222
Other long-term liabilities	—	30,094	2,921	—	33,015
Total liabilities	**223,084**	**579,040**	**471,080**	**(8,272)**	**1,264,932**
Total stockholders' equity	**619,975**	**815,524**	**146,864**	**(962,388)**	**619,975**
Total liabilities and stockholders' equity	**$ 843,059**	**$ 1,394,564**	**$ 617,944**	**$ (970,660)**	**$ 1,884,907**

Consolidated Statement of Operations for the year ended January 31, 2019

(in thousands)	Conn’s, Inc.	Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues:					
Total net sales	$ —	$ 1,194,674	$ —	$ —	$ 1,194,674
Finance charges and other revenues	—	193,583	161,556	—	355,139
Servicing fee revenue	—	40,947	—	(40,947)	—
Total revenues	**—**	**1,429,204**	**161,556**	**(40,947)**	**1,549,813**
Costs and expenses:					
Cost of goods sold	—	702,135	—	—	702,135
Selling, general and administrative expense	—	479,995	41,513	(40,947)	480,561
Provision for bad debts	—	68,056	130,026	—	198,082
Charges and credits	—	7,780	—	—	7,780
Total costs and expenses	**—**	**1,257,966**	**171,539**	**(40,947)**	**1,388,558**
Operating income (loss)	**—**	**171,238**	**(9,983)**	**—**	**161,255**
Interest expense	17,782	12,498	32,424	—	62,704
Loss on extinguishment of debt	—	142	1,631	—	1,773
Income (loss) before income taxes	**(17,782)**	**158,598**	**(44,038)**	**—**	**96,778**
Provision (benefit) for income taxes	(4,213)	37,577	(10,435)	—	22,929
Net income (loss)	**(13,569)**	**121,021**	**(33,603)**	**—**	**73,849**
Income (loss) from consolidated subsidiaries	87,418	(33,603)	—	(53,815)	—
Consolidated net income (loss)	**$ 73,849**	**$ 87,418**	**$ (33,603)**	**$ (53,815)**	**$ 73,849**

Consolidated Statement of Cash Flows for the year ended January 31, 2019

(in thousands)	Conn's, Inc.	Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	**$ (1,237)**	**$ 18,201**	**$ 134,837**	**$ —**	**$ 151,801**
Cash flows from investing activities:					
Purchase of customer accounts receivables	—	—	(525,846)	525,846	—
Sale of customer accounts receivables	—	—	525,846	(525,846)	—
Purchase of property and equipment	—	(32,814)	—	—	(32,814)
Net cash used in investing activities	**—**	**(32,814)**	**—**	**—**	**(32,814)**
Cash flows from financing activities:					
Proceeds from issuance of asset-backed notes	—	—	358,300	—	358,300
Payments on asset-backed notes	—	(169,443)	(570,432)	—	(739,875)
Borrowings from Revolving Credit Facility	—	1,836,822	—	—	1,836,822
Payments on Revolving Credit Facility	—	(1,647,322)	—	—	(1,647,322)
Borrowings from warehouse facility	—	—	173,286	—	173,286
Payments of debt issuance costs and amendment fees	—	(3,230)	(4,188)	—	(7,418)
Payments on warehouse facility	—	—	(119,650)	—	(119,650)
Proceeds from stock issued under employee benefit plans	1,237	—	—	—	1,237
Tax payments associated with equity-based compensation transactions	—	(3,342)	—	—	(3,342)
Payments from extinguishment of debt	—	(1,178)	—	—	(1,178)
Other	—	(1,068)	—	—	(1,068)
Net cash provided by (used in) financing activities	**1,237**	**11,239**	**(162,684)**	**—**	**(150,208)**
Net change in cash, cash equivalents and restricted cash	**—**	**(3,374)**	**(27,847)**	**—**	**(31,221)**
Cash, cash equivalents and restricted cash, beginning of period	—	10,836	85,322	—	96,158
Cash, cash equivalents and restricted cash, end of period	**$ —**	**$ 7,462**	**$ 57,475**	**$ —**	**$ 64,937**

CONN'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Operations for the year ended January 31, 2018.

(in thousands)	Conn's, Inc.	Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues:					
Total net sales	$ —	$ 1,191,967	$ —	$ —	$ 1,191,967
Finance charges and other revenues	—	173,539	150,525	—	324,064
Servicing fee revenue	—	63,372	—	(63,372)	—
Total revenues	**—**	**1,428,878**	**150,525**	**(63,372)**	**1,516,031**
Costs and expenses:					
Cost of goods sold	—	720,344	—	—	720,344
Selling, general and administrative expense	—	460,698	53,087	(63,372)	450,413
Provision for bad debts	—	42,677	174,198	—	216,875
Charges and credits	—	13,331	—	—	13,331
Total costs and expenses	**—**	**1,237,050**	**227,285**	**(63,372)**	**1,400,963**
Operating income (loss)	**—**	**191,828**	**(76,760)**	**—**	**115,068**
Interest expense	17,772	15,978	46,410	—	80,160
Loss on extinguishment of debt	—	349	2,925	—	3,274
Income (loss) before income taxes	**(17,772)**	**175,501**	**(126,095)**	**—**	**31,634**
Provision (benefit) for income taxes	(14,141)	139,647	(100,335)	—	25,171
Net income (loss)	**(3,631)**	**35,854**	**(25,760)**	**—**	**6,463**
Income (loss) from consolidated subsidiaries	10,094	(25,760)	—	15,666	—
Consolidated net income (loss)	**$ 6,463**	**$ 10,094**	**$ (25,760)**	**$ 15,666**	**$ 6,463**

Consolidated Statement of Cash Flows for the year ended January 31, 2018.

(in thousands)	Conn's, Inc.	Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	**$ (3,318)**	**$ (925,182)**	**$ 979,022**	**$ —**	**$ 50,522**
Cash flows from investing activities:					
Purchase of customer accounts receivables	—	—	(1,112,903)	1,112,903	—
Sale of customer accounts receivables	—	1,112,903	—	(1,112,903)	—
Purchase of property and equipment	—	(16,918)	—	—	(16,918)
Proceeds from asset dispositions	—	—	—	—	—
Net cash provided by (used in) investing activities	**—**	**1,095,985**	**(1,112,903)**	**—**	**(16,918)**
Cash flows from financing activities:					
Proceeds from issuance of asset-backed notes	—	—	1,042,034	—	1,042,034
Payments on asset-backed notes	—	(77,104)	(922,923)	—	(1,000,027)
Borrowings from Revolving Credit Facility	—	1,717,012	—	—	1,717,012
Payments on Revolving Credit Facility	—	(1,817,512)	—	—	(1,817,512)
Payments of debt issuance costs and amendment fees	—	(3,268)	(10,606)	—	(13,874)
Proceeds from stock issued under employee benefit plans	3,318	—	—	—	3,318
Tax payments associated with equity-based compensation transactions	—	(1,182)	—	—	(1,182)
Payments from extinguishment of debt	—	(836)	—	—	(836)
Other	—	(643)	—	—	(643)
Net cash provided by (used in) financing activities	**3,318**	**(183,533)**	**108,505**	**—**	**(71,710)**
Net change in cash, cash equivalents and restricted cash	**—**	**(12,730)**	**(25,376)**	**—**	**(38,106)**
Cash, cash equivalents and restricted cash, beginning of period	—	23,566	110,698	—	134,264
Cash, cash equivalents and restricted cash, end of period	**$ —**	**$ 10,836**	**$ 85,322**	**$ —**	**$ 96,158**

16. Stockholders' Equity

Share Repurchases. On May 30, 2019, we entered into a stock repurchase program pursuant to which we had the authorization to repurchase up to $75.0 million of our outstanding common stock. The stock repurchase program expires on May 30, 2020. For the year ended January 31, 2020, we repurchased 3,485,441 shares of our common stock at an average weighted cost per share of $19.02 for an aggregate amount of $66.3 million.

17. Quarterly Information (Unaudited)

The following tables set forth certain quarterly financial data for the years ended January 31, 2020, 2019 and 2018 that have been prepared on a consistent basis as the accompanying audited consolidated financial statements and include all adjustments necessary for a fair presentation, in all material respects, of the information shown:

	Fiscal Year 2020			
	Quarter Ended			
(dollars in thousands, except per share amounts)	**April 30**	**July 31**	**Restated October 31 [1]**	**January 31**
Revenues:				
Retail Segment	$ 262,181	$ 306,265	$ 280,319	$ 315,280
Credit Segment	91,331	94,794	95,808	97,708
Total revenues	**$ 353,512**	**$ 401,059**	**$ 376,127**	**$ 412,988**
Percent of annual revenues	22.9%	26.0%	24.4%	26.7%
Costs and expenses:				
Cost of goods sold	$ 157,228	$ 182,065	$ 170,453	$ 188,038
Operating income (loss):				
Retail Segment	$ 25,897	$ 36,072	$ 19,598	$ 35,748
Credit Segment	13,122	5,702	10,706	(12,326)
Total operating income	**$ 39,019**	**$ 41,774**	**$ 30,304**	**$ 23,422**
Net income	**$ 19,509**	**$ 19,974**	**$ 11,469**	**$ 5,052**
Income per share				
Basic [2]	$ 0.61	$ 0.64	$ 0.39	$ 0.18
Diluted [2]	$ 0.60	$ 0.62	$ 0.39	$ 0.17

	Fiscal Year 2019			
	Quarter Ended			
(dollars in thousands, except per share amounts)	**April 30**	**July 31**	**October 31**	**January 31**
Revenues:				
Retail Segment	$ 275,770	$ 296,411	$ 284,053	$ 338,887
Credit Segment	82,617	88,209	89,771	94,095
Total revenues	**$ 358,387**	**$ 384,620**	**$ 373,824**	**$ 432,982**
Percent of annual revenues	23.1%	24.8%	24.1%	28.0%
Costs and expenses:				
Cost of goods sold	$ 166,589	$ 173,627	$ 166,886	$ 195,033
Operating income (loss):				
Retail Segment	$ 31,169	$ 39,238	$ 35,250	$ 54,712
Credit Segment	1,595	14	223	(946)
Total operating income	**$ 32,764**	**$ 39,252**	**$ 35,473**	**$ 53,766**
Net income	**$ 12,732**	**$ 17,011**	**$ 14,630**	**$ 29,476**
Income per share:				
Basic [2]	$ 0.40	$ 0.54	$ 0.46	$ 0.93
Diluted [2]	$ 0.39	$ 0.53	$ 0.45	$ 0.91

	Fiscal Year 2018			
	Quarter Ended			
(dollars in thousands, except per share amounts)	**April 30**	**July 31**	**October 31**	**January 31**
Revenues:				
Retail Segment	$ 279,365	$ 286,505	$ 291,903	$ 334,535
Credit Segment	76,461	80,142	81,269	85,851
Total revenues	**$ 355,826**	**$ 366,647**	**$ 373,172**	**$ 420,386**
Percent of annual revenues	23.5%	24.2%	24.6%	27.7%
Costs and expenses:				
Cost of goods sold	$ 171,950	$ 172,306	$ 175,591	$ 200,497
Operating income (loss):				
Retail Segment	$ 32,011	$ 31,299	$ 29,586	$ 48,583
Credit Segment	(11,829)	(2,107)	(8,733)	(3,742)
Total operating income	**$ 20,182**	**$ 29,192**	**$ 20,853**	**$ 44,841**
Net income (loss)	**$ (2,580)**	**$ 4,273**	**$ 1,569**	**$ 3,201**
Income (loss) per share				
Basic [2]	$ (0.08)	$ 0.14	$ 0.05	$ 0.10
Diluted [2]	$ (0.08)	$ 0.14	$ 0.05	$ 0.10

(1) Quarterly information adjusted for the restatements noted below.

(2) The sum of the quarterly earnings per share amounts may not equal the fiscal year amount due to rounding and use of weighted-average shares outstanding.

As a result of the operation of the Company's internal controls over financial reporting in connection with the preparation of this Annual Report on Form 10-K, the Company's management became aware that the Company's historical condensed consolidated interim financial statements for the three and nine month periods ended October 31, 2019 (the "Non-Reliance Periods") contained errors in its calculation and reporting of finance charges and other revenues and provision for bad debts resulting from an error in its allowance for bad debts and uncollectible interest related to the implementation of its new loan management system. The condensed consolidated cash flow statement for the nine month Non-Reliance Period was not impacted by the errors.

The correction of these errors reduces finance charges and other revenues in the condensed consolidated statements of income for the Non-Reliance Periods by $1.6 million and increases provision for bad debts for the Non-Reliance Periods by $3.3 million. Those changes have the following effects on the condensed consolidated balance sheets and the condensed consolidated statement of stockholders' equity as of the end of the Non-Reliance Periods: customer accounts receivable, net of allowances, decreases by $4.9 million, income taxes receivable increases by $0.9 million and deferred income taxes increases by $0.3 million, resulting in a decrease in each of total assets, total stockholders' equity and total liabilities and stockholders' equity of approximately $3.7 million.

The following tables present the effects this restatement had on the reported condensed consolidated interim financial statements for the Non-Reliance Periods:

Statements of Income

	Three Months Ended October 31, 2019		
(dollars in thousands, except per share amounts)	As Previously Reported	Q3 Corrections	Restated
Finance charges and other revenues	$ 97,586	$ (1,581)	$ 96,005
Total revenues	**377,708**	**(1,581)**	**376,127**
Provision for bad debts	42,586	3,339	45,925
Operating income	**35,224**	**(4,920)**	**30,304**
Income before taxes	20,173	(4,920)	15,253
Net income	**$ 15,143**	**$ (3,674)**	**$ 11,469**
Earnings per share:			
Basic	$ 0.52	$ (0.13)	$ 0.39
Diluted	$ 0.51	$ (0.12)	$ 0.39

	Nine Months Ended October 31, 2019		
	As Previously Reported	Q3 Corrections	Restated
Finance charges and other revenues	$ 284,116	$ (1,581)	$ 282,535
Total revenues	**1,132,279**	**(1,581)**	**1,130,698**
Provision for bad debts	132,368	3,339	135,707
Operating income	**116,017**	**(4,920)**	**111,097**
Income before taxes	72,073	(4,920)	67,153
Net income	**$ 54,626**	**$ (3,674)**	**$ 50,952**
Earnings per share:			
Basic	$ 1.77	$ (0.12)	$ 1.65
Diluted	$ 1.74	$ (0.12)	$ 1.62

Balance Sheet

	October 31, 2019		
	As Previously Reported	Q3 Corrections	Restated
Customer accounts receivable, net of allowances	$ 666,922	$ (4,920)	$ 662,002
Income taxes receivable	1,688	912	2,600
Total current assets	**$ 1,047,752**	**$ (4,008)**	**$ 1,043,744**
Deferred income taxes	22,908	334	23,242
Total assets	**$ 2,156,825**	**$ (3,674)**	**$ 2,153,151**
Total stockholders' equity	**$ 630,377**	**$ (3,674)**	**$ 626,703**
Total liabilities and stockholders' equity	**$ 2,156,825**	**$ (3,674)**	**$ 2,153,151**

18. Subsequent Events

COVID-19. The COVID-19 outbreak in the United States has resulted in reduced customer traffic and the temporary reduction of operating hours for our stores as well as a limited number of temporary store closures where government mandated. In addition to the impact on store traffic, our credit business could be impacted if customers are unable to make timely payments on their Conn's credit accounts due to job loss, reduction of hours or furlough. These recent developments are expected to result in lower sales and gross margin. The situation is changing daily and there is significant uncertainty going forward.

On March 18, 2020, the Company completed the borrowing of an additional $275.0 million under its $650.0 million Revolving Credit Facility, maturing on May 23, 2022. As of the date of the borrowing, the Company had an immediately available remaining borrowing capacity of approximately $123.0 million under its Revolving Credit Facility. The Company increased its borrowings under the Revolving Credit Facility as a precautionary measure in order to increase its cash position and preserve financial flexibility in light of current uncertainty resulting from the COVID-19 outbreak. The proceeds from the incremental Revolving Credit Facility borrowings are currently being held on the Company’s balance sheet. The proceeds from the incremental Revolving Credit Facility borrowings may in the future be used for working capital, general corporate or other permitted purposes.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

In connection with the preparation of this Annual Report on Form 10-K, our management conducted an assessment of the effectiveness of our internal controls over financial reporting as of the end of the period covered by this report (under the supervision and with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO")). Based on that assessment, our CEO and CFO have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective because of certain individual control deficiencies in our information technology general controls ("ITGCs") in the areas of user access and program change management related to the implementation of certain new financially significant applications that, when viewed in combination, aggregated to the material weakness described below. Management's assessment of the effectiveness of our disclosure controls and procedures is expressed at the level of reasonable assurance because management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives.

Changes in Internal Controls Over Financial Reporting

Except for the material weakness identified, there have been no changes in our internal controls over financial reporting that occurred in the quarter ended January 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) or Rule 15(d)-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management (under the supervision and with the participation of our principal executive officer and our principal financial officer) assessed the effectiveness of our internal control over financial reporting as of January 31, 2020. In making this assessment, management used the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Based on our assessment and those criteria, management believes that, as of January 31, 2020, our internal controls over financial reporting were not effective due to the material weakness described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

As part of our assessment of the effectiveness of our internal control over financial reporting as of January 31, 2020, management identified certain individual control deficiencies related to our ITGCs in the areas of user access and program change management related to the implementation of certain new financially significant applications that, when viewed in combination, aggregated to a material weakness. Specifically, management determined that we did not maintain effective controls over user access to and related changes to IT programs and data for these newly implemented financially significant applications, and, as a result, the effective functioning of certain process-level automated and IT-dependent controls was compromised. Other than in connection with the restatement of the Company's condensed consolidated interim financial statements for the Non-Reliance Periods described in Note 17. *Quarterly Information (Unaudited)* to the Consolidated Financial Statements, the material weakness did not result in any financial statement modifications.

The effectiveness of our internal control over financial reporting as of January 31, 2020 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included elsewhere herein.

Remediation Plan

Management has been taking actions to remediate the deficiencies that, in combination, resulted in the material weakness and to improve the design and effectiveness of our ITGCs. The remediation actions include the following:

- Expanding the management and governance over IT system controls.
- Implementing enhanced process controls around internal user access management including provisioning, removal, and periodic review.
- Further restricting privileged access and improving segregation of duties within IT environments based on roles and responsibilities.

We have substantially completed the remediation activities as of the date of this report and believe that we have strengthened our ITGCs to address the identified material weakness. However, control weaknesses are not considered remediated until new internal controls have been operational for a period of time, are tested, and management concludes that these controls are operating effectively. We expect to complete the remediation process as early as practicable in fiscal year 2021.

Conn's, Inc.
The Woodlands, Texas
April 14, 2020

/s/ George L. Bchara

George L. Bchara
Executive Vice President and Chief Financial Officer

/s/ Norman Miller

Norman Miller
Chief Executive Officer and President

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Conn's, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Conn's, Inc. and subsidiaries' internal control over financial reporting as of January 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, because of the effect of the material weakness described below on the achievement of the objectives in the control criteria, Conn's, Inc. and subsidiaries (the Company) has not maintained effective internal control over financial reporting as of January 31, 2020, based on the COSO criteria.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. Management identified a material weakness in information technology general controls in the areas of user access and program change management related to the implementation of certain new financially significant applications.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of January 31, 2020 and 2019, the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended January 31, 2020, and the related notes. This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the fiscal year 2020 consolidated financial statements, and this report does not affect our report dated April 14, 2020, which expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Houston, Texas

April 14, 2020

ITEM 9B. OTHER INFORMATION.

During the course of our assessment of the effectiveness of our internal controls over financial reporting described in Item 9A, which assessment ultimately resulted in the determination by our management that our internal controls over financial reporting were not effective due to a material weakness, and in the restatement of our historical condensed consolidated interim financial statements for the three and nine month periods ended October 31, 2019, the Company accepted the resignation of Mr. John Davis, President, Credit and Collections, effective March 27, 2020. Following his resignation, on April 14, 2020, Mr. Davis entered into a Master Services Agreement for Professional Services (the “MSA”) with the Company whereby Mr. Davis will serve as a consultant providing transition services through October 1, 2020, at the rate of $12,800 per month.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this Item is incorporated herein by reference to our definitive Proxy Statement in connection with the 2020 Annual Meeting of Stockholders.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is incorporated herein by reference to our definitive Proxy Statement in connection with the 2020 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this Item is incorporated herein by reference to our definitive Proxy Statement in connection with the 2020 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

The information required by this Item is incorporated herein by reference to our definitive Proxy Statement in connection with the 2020 Annual Meeting of Stockholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information required by this Item is incorporated herein by reference to our definitive Proxy Statement in connection with the 2020 Annual Meeting of Stockholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) The following documents are filed as a part of this report:

(1) Financial statements:

See listing of financial statements included in Item 8. of this Annual Report on Form 10-K.

(2) Financial Statement Schedules:

Financial statement schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

(3) Exhibits:

Exhibit Number	Description of Document
3.1	Certificate of Incorporation of Conn's, Inc. (incorporated herein by reference to Exhibit 3.1 to Conn's, Inc. registration statement on Form S-1 (File No. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003)
3.1.1	Certificate of Amendment to the Certificate of Incorporation of Conn's, Inc. dated June 3, 2004 (incorporated herein by reference to Exhibit 3.1.1 to Form 10-Q for the quarterly period ended April 30, 2004 (File No. 000-50421) as filed with the Securities and Exchange Commission on June 7, 2004)
3.1.2	Certificate of Amendment to the Certificate of Incorporation of Conn's, Inc. dated May 30, 2012 (incorporated herein by reference to Exhibit 3.1.2 to Form 10-Q for the quarterly period ended April 30, 2012 (File No. 001-34956) as filed with the Securities and Exchange Commission on June 5, 2012)
3.1.3	Certificate of Correction to the Certificate of Amendment to Conn's, Inc. Certificate of Incorporation (incorporated herein by reference to Exhibit 3.1.3 to Form 10-K for the annual period ended January 31, 2014 (File No. 001-34956) as filed with the Securities and Exchange Commission on March 27, 2014)
3.1.4	Certificate of Amendment to the Certificate of Incorporation of Conn's, Inc. as filed on May 29, 2014 (incorporated herein by reference to Exhibit 3.1.4 to Form 10-Q for the quarterly period ended April 30, 2014 (File No. 001-34956) as filed with the Securities and Exchange Commission on June 2, 2014)
3.2	Second Amended and Restated Bylaws of Conn's, Inc. effective as of November 27, 2018 (incorporated herein by reference to exhibit 3.2 to Form 10-Q for the quarterly period ended October 31, 2018 (File No. 001-34956) as filed with the Securities and Exchange Commission on December 4, 2018)
4.1	Specimen of certificate for shares of Conn's, Inc.'s common stock (incorporated herein by reference to Exhibit 4.1 to registration statement on Form S-1 (File No. 333-109046) as filed with the Securities and Exchange Commission on October 29, 2003)
4.2	Indenture, dated as of July 1, 2014, by and among Conn's, Inc., as issuer, the several guarantors named therein and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 4.1 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on July 2, 2014)
4.2.1	First Supplemental Indenture, dated September 10, 2015, by and among Conn's, Inc., as issuer, the guarantors party thereto and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 10.9 to Form 10-Q for the quarterly period ended October 31, 2015 (File No. 001-34956) as filed with the Securities and Exchange Commission on December 8, 2015)
4.2.2	Second Supplemental Indenture, dated October 30, 2015, by and among Conn's Inc., as issuer, the guarantors party thereto and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 10.3 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on November 2, 2015)
4.2.3	Form of 7.250% Senior Notes due 2022 (incorporated herein by reference to Exhibit A to Exhibit 4.1 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on July 2, 2014)
4.3	Base Indenture, dated as of December 20, 2017, by and between Conn's Receivables Funding 2017-B, LLC and Wilmington Trust, NA, as Trustee (incorporated herein by reference to Exhibit 4.1 to Form 8-K (File No. 001-34956) filed with the Securities and Exchange Commission on December 26, 2017)
4.3.1	Series 2017-B Supplement to the Base Indenture, dated as of December 20, 2017, by and between Conn's Receivables Funding 2017-B, LLC and Wilmington Trust, National Association (incorporated herein by reference to Exhibit 4.2 to Form 8-K (File No. 001-34956) filed with the Securities and Exchange Commission on December 26, 2017)

4.4	Base Indenture, dated as of August 15, 2018, by and between the Issuer and the Trustee (incorporated herein by reference to Exhibit 4.1 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on August 17, 2018)
4.4.1	Series 2018-A Supplement to the Base Indenture, dated as of August 15, 2018, by and between the Issuer and the Trustee (incorporated herein by reference to Exhibit 4.2 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on August 17, 2018)
4.5	Base Indenture, dated as of April 24, 2019, by and between the Issuer and the Trustee (incorporated herein by reference to Exhibit 4.1 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on April 25, 2019)
4.5.1	Series 2019-A Supplement to the Base Indenture, dated as of April 24, 2019, by and between the Issuer and the Trustee (incorporated herein by reference to Exhibit 4.2 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on April 25, 2019)
4.6	Base Indenture, dated as of November 26, 2019, by and between the Issuer and the Trustee (incorporated herein by reference to Exhibit 4.1 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on November 27, 2019)
4.6.1	Series 2019-B Supplement to the Base Indenture, dated as of November 26, 2019, by and between the Issuer and the Trustee (incorporated herein by reference to Exhibit 4.2 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on November 27, 2019)
4.7	Description of Registrant’s Securities (filed herewith)
* 10.1	Amended and Restated 2003 Incentive Stock Option Plan (incorporated herein by reference to Exhibit 10.1 to registration statement on Form S-1 (File No. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003)
* 10.1.1	Amendment to the Conn’s, Inc. Amended and Restated 2003 Incentive Stock Option Plan (incorporated herein by reference to Exhibit 10.1.1 to Form 10-Q for the quarterly period ended April 30, 2004 (File No. 000-50421) as filed with the Securities and Exchange Commission on June 7, 2004)
* 10.1.2	Form of Stock Option Agreement under the Amended and Restated 2003 Incentive Stock Option Plan (incorporated herein by reference to Exhibit 10.1.2 to Form 10-K for the annual period ended January 31, 2005 (File No. 000-50421) as filed with the Securities and Exchange Commission on April 5, 2005)
* 10.2	2011 Employee Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1.3 to Form 10-Q for the quarterly period ended April 30, 2011 (File No. 001-34956) filed the Securities and Exchange Commission on May 26, 2011)
* 10.2.1	Form of Restricted Stock Award Agreement under the 2011 Employee Omnibus Incentive Plan (incorporated herein by reference to Exhibit 10.1.4 to Form 10-Q for the quarterly period ended April 30, 2011 (File No. 001-34956) as filed with the Securities and Exchange Commission on May 26, 2011)
* 10.3	2003 Non-Employee Director Stock Option Plan (incorporated herein by reference to Exhibit 10.2 to registration statement on Form S-1 (File No. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003)
* 10.3.1	Form of Stock Option Agreement under the 2003 Non-Employee Director Stock Option Plan (incorporated herein by reference to Exhibit 10.2.1 to Form 10-K for the annual period ended January 31, 2005 (File No. 000-50421) as filed with the Securities and Exchange Commission on April 5, 2005)
* 10.4	2011 Non-Employee Director Restricted Stock Plan (incorporated by reference to Exhibit 10.2.2 to Form 10-Q for the quarterly period ended April 30, 2011 (File No. 001-34956) as filed with the Securities and Exchange Commission on May 26, 2011)
*10.4.1	First Amendment to 2011 Non-Employee Director Restricted Stock Plan effective August 27, 2013 (incorporated herein by reference to Exhibit 10.1 to Form 10-Q for the quarterly period ended July 31, 2013 (File No. 001-34956) as filed with the Securities and Exchange Commission on September 5, 2013)
*10.4.2	Form of Restricted Stock Award Agreement under the 2011 Non-Employee Director Restricted Stock Plan (incorporated by reference to Exhibit 10.2.3 to Form 10-Q for the quarterly period ended April 30, 2011 (File No. 001-34956) as filed with the Securities and Exchange Commission on May 26, 2011)
*10.4.3	Revised Form of Restricted Stock Award Agreement under the 2011 Non-Employee Director Restricted Stock Plan (incorporated herein by reference to Exhibit 10.2 to Form 10-Q for the quarterly period ended July 31, 2013 (File No. 001-34956) as filed with the Securities and Exchange Commission on September 5, 2013)
*10.4.4	Revised Form of Restricted Stock Award Agreement under the 2011 Non-Employee Director Restricted Stock Plan (incorporated herein by reference to Exhibit 10.1 to Form 10-Q for the quarterly period ended April 30, 2015 (File No. 001-34956) as filed with the Securities and Exchange Commission on June 2, 2015)

*10.4.5	Form of Deferral Election Form under the 2011 Non-Employee Director Restricted Stock Plan (incorporated herein by reference to Exhibit 10.3 to Form 10-Q for the quarterly period ended July 31, 2013 (File No. 001-34956) as filed with the Securities and Exchange Commission on September 5, 2013)
*10.4.6	Revised Form of Deferral Election Form under the 2011 Non-Employee Director Restricted Stock Plan (incorporated herein by reference to Exhibit 10.2 to Form 10-Q for the quarterly period ended April 30, 2015 (File No. 001-34956) as filed with the Securities and Exchange Commission on June 2, 2015)
* 10.5	2016 Omnibus Stock Incentive Plan (incorporated herein by reference to Exhibit 99.1 to registration statement on Form S-8 (File No. 333-211584) as filed with the Securities and Exchange Commission on May 25, 2016)
*10.5.1	Amended 2016 Omnibus Stock Incentive Plan (incorporated herein by reference to Appendix A to Conn's, Inc. Definitive Proxy Statement on Schedule 14A (File No. 001-34956) as filed with the Securities and Exchange Commission on April 17, 2017)
*10.5.2	Form of Restricted Stock Unit Award Agreement (Time-based and Performance-based Vesting) under the 2016 Omnibus Stock Incentive Plan (incorporated herein by reference to Exhibit 10.4 to Form 10-Q for the quarterly period ended July 31, 2016 (File No. 001-34956) as filed with the Securities and Exchange Commission on September 8, 2016)
*10.5.3	Form of Restricted Stock Unit Award Agreement (Time-based vesting) under the 2016 Omnibus Stock Incentive Plan (incorporated herein by reference to Exhibit 10.5 to Form 10-Q for the quarterly period ended July 31, 2016 (File No. 001-34956) as filed with the Securities and Exchange Commission on September 8, 2016)
*10.5.4	Form of Performance-Based Restricted Stock Unit Award Agreement relating to fiscal year 2017 Special Equity Awards under the 2016 Omnibus Stock Incentive Plan (incorporated herein by reference to Exhibit 10.5.3 to Form 10-K for the annual period ended January 31, 2017 (File No. 001-34956) as filed with the Securities and Exchange Commission on April 4, 2017)
*10.5.5	Form of Restricted Stock Unit Award Agreement relating to fiscal year 2017 Special Equity Awards under the 2016 Omnibus Stock Incentive Plan (incorporated herein by reference to Exhibit 10.5.4 to Form 10-K for the annual period ended January 31, 2017 (File No. 001-34956) as filed with the Securities and Exchange Commission on April 4, 2017)
* 10.6	Employee Stock Purchase Plan (incorporated herein by reference to Exhibit 10.3 to registration statement on Form S-1 (File No. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003)
* 10.7	Conn's 401(k) Retirement Savings Plan (incorporated herein by reference to Exhibit 10.4 to registration statement on Form S-1 (File No. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003)
* 10.8	Executive Severance Agreement by and between Norman Miller and Conn's Inc., dated as of September 7, 2015 (incorporated herein by reference to Exhibit 10.2 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on September 9, 2015)
*10.8.1	Letter Agreement from Conn's, Inc. to Norman L. Miller, dated as of January 2, 2017 (incorporated by reference to Exhibit 10.1 to Form 8-K (File No. 001-34956) filed with the Securities and Exchange Commission on January 6, 2017)
*10.9	Offer of employment from Conn's Inc. to Lee A. Wright, dated as of May 31, 2016 (incorporated herein by reference to Exhibit 10.1 to Form 8-K (File No. 001-34956) filed with the Securities and Exchange Commission on June 2, 2016)
*10.9.1	Executive Severance Agreement by and between Lee A. Wright and Conn's Inc., dated as of May 31, 2016 (incorporated herein by reference to Exhibit 10.2 to Form 8-K (File No. 001-34956) filed with the Securities and Exchange Commission on June 2, 2016)
*10.10	Offer of employment from Conn's Inc. to George Bchara, dated as of December 9, 2016 (incorporated by reference to Exhibit 10.1 to Form 8-K (File No. 001-34956) filed with the Securities and Exchange Commission on December 14, 2016)
*10.11	Executive Severance Agreement by and between Rodney Lastinger and Conn's Inc., dated as of June 3, 2019 (incorporated herein by reference to Exhibit 10.1 to Form 10-Q (File No. 001-34956) filed with the Securities and Exchange Commission on September 3, 2019)
*10.12	Executive Severance Plan (incorporated herein by reference to Exhibit 10.14 to Form 10-Q for the quarterly period ended October 31, 2015 (File No. 001-34956) as filed with the Securities and Exchange Commission on December 8, 2015)

10.13	Fourth Amended and Restated Loan and Security Agreement, dated May 23, 2018, by and among the Company, as parent and guarantor, Conn Appliances, Inc., Conn Credit I, LP and Conn Credit Corporation, Inc., as borrowers, certain banks and financial institutions named therein, as lenders, and Bank of America N.A., in its capacity as agent for lenders (incorporated herein by reference to Exhibit 10.1 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on May 24, 2018)
10.14	Omnibus Amendment and Reaffirmation of Existing Ancillary Documents, dated as of October 30, 2015, by and among Conn's Inc., Conn Appliances, Inc., Conn Credit I, LP, and Conn Credit Corporation, Inc., the guarantors party thereto and Bank of America, N.A., in its capacity as agent for lenders (incorporated herein by reference to Exhibit 10.2 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on November 2, 2015)
10.15	Form of Indemnification Agreement (incorporated herein by reference to Exhibit 10.16 to registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003)
10.16	Note Purchase Agreement, dated December 12, 2017, by and among Conn's Inc., Conn's Receivables Funding 2017-B, LLC, Conn Appliances, Inc., Credit Suisse Securities (USA) LLC, JP Morgan Securities LLC, MUFG Securities Americas Inc. and Deutsche Bank Securities Inc., as initial purchasers (incorporated herein by reference to Exhibit 1.1 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on December 26, 2017)
10.17	First Receivables Purchase Agreement, dated December 20, 2017, by and between Conn Credit I, L.P. and Conn Appliances Receivables Funding, LLC (incorporated herein by reference to Exhibit 10.1 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on December 26, 2017)
10.18	Second Receivables Purchase Agreement, dated December 20, 2017, by and between Conn Credit I, L.P. and Conn Appliances Receivables Fund, LLC (incorporated herein by reference to Exhibit 10.2 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on December 26, 2017)
10.19	Purchase and Sale Agreement, dated December 20, 2017 by and between Conn Appliances Receivables Funding, LLC and Conn's Receivables 2017-B Trust (incorporated herein by reference to Exhibit 10.3 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on December 26, 2017)
10.20	Servicing Agreement dated as of December 20, 2017, among Conn's Receivables Funding 2017-B, LLC, Conn's Receivables 2017-B Trust, Conn Appliances, Inc. and Wilmington Trust, National Association (incorporated herein by reference to Exhibit 10.4 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on December 26, 2017)
10.21	First Receivables Purchase Agreement, dated August 15, 2018, by and between the Seller and the Depositor (incorporated herein by reference to Exhibit 10.1 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on August 17, 2018)
10.22	Second Receivables Purchase Agreement, dated August 15, 2018, by and between the Seller and the Receivables Trust (incorporated herein by reference to Exhibit 10.2 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on August 17, 2018)
10.23	Purchase and Sale Agreement, dated August 15, 2018, by and between the Seller and the Receivables Trust (incorporated herein by reference to Exhibit 10.3 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on August 17, 2018)
10.24	Servicing Agreement dated as of August 15, 2018, by and among the Issuer, the Receivables Trust, the Servicer and the Trustee (incorporated herein by reference to Exhibit 10.4 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on August 17, 2018)
10.25	First Receivables Purchase Agreement, dated April 24, 2019, by and between the Seller and the Depositor (incorporated herein by reference to Exhibit 10.1 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on April 25, 2019)
10.26	Second Receivables Purchase Agreement, dated April 24, 2019, by and between the Seller and the Receivables Trust (incorporated herein by reference to Exhibit 10.2 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on April 25, 2019)
10.27	Purchase and Sale Agreement, dated April 24, 2019, by and between the Seller and the Receivables Trust (incorporated herein by reference to Exhibit 10.3 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on April 25, 2019)
10.28	Servicing Agreement dated as of April 24, 2019, by and among the Issuer, the Receivables Trust, the Servicer and the Trustee (incorporated herein by reference to Exhibit 10.4 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on April 25, 2019)

10.29	Note Purchase Agreement, dated November 19, 2019, by and among Conn Appliances, Inc., Conn's Receivables Funding 2019-B, LLC, Conn Appliances Receivables Funding, LLC, Conn's, Inc. and the Initial Purchasers (incorporated herein by reference to Exhibit 1.1 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on November 22, 2019)
10.30	First Receivables Purchase Agreement, dated November 26, 2019, by and between the Seller and the Depositor (incorporated herein by reference to Exhibit 10.1 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on November 27, 2019)
10.31	Second Receivables Purchase Agreement, dated November 26, 2019, by and between the Seller and the Receivables Trust (incorporated herein by reference to Exhibit 10.2 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on November 27, 2019)
10.32	Purchase and Sale Agreement, dated November 26, 2019, by and between the Seller and the Receivables Trust (incorporated herein by reference to Exhibit 10.3 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on November 27, 2019)
10.33	Servicing Agreement dated as of November 26, 2019, by and among the Issuer, the Receivables Trust, the Servicer and the Trustee (incorporated herein by reference to Exhibit 10.4 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on November 27, 2019)
10.34	Third Omnibus Amendment, dated as of February 6, 2018, among Conn's Receivables Warehouse, LLC, Conn Appliances, Inc., Wells Fargo Bank, National Association, Credit Suisse AG, New York Branch, Conn's Receivables Warehouse Trust, Conn Appliances Receivables Funding, LLC, Credit Suisse AG, Cayman Islands Branch and Conn Credit I, LP. (incorporated herein by reference to Exhibit 10.1 to Form 8-K/A (File No. 001-34956) as filed with the Securities and Exchange Commission on February 13, 2018)
10.35	Fourth Omnibus Amendment, dated as of July 9, 2018, among Conn's Receivables Warehouse, LLC, Conn Appliances, Inc., Wells Fargo Bank, National Association, Credit Suisse AG, New York Branch, Conn's Receivables Warehouse Trust, Conn Appliances Receivables Funding, LLC, Credit Suisse AG, Cayman Islands Branch and Conn Credit I, LP (incorporated herein by reference to Exhibit 10.1 to Form 8-K (File No. 001-34956) as filed with the Securities and Exchange Commission on July 12, 2018).
21	Subsidiaries of Conn's, Inc. (filed herewith)
23.1	Consent of Ernst & Young LLP (filed herewith)
31.1	Rule 13a-14(a)/15d-14(a) Certification (Chief Executive Officer) (filed herewith)
31.2	Rule 13a-14(a)/15d-14(a) Certification (Chief Financial Officer) (filed herewith)
32.1	Section 1350 Certification (Chief Executive Officer and Chief Financial Officer) (furnished herewith)
101	The following financial information from our Annual Report on Form 10-K for the annual period ended January 31, 2020, filed with the SEC on April 14, 2020, formatted in Extensible Business Reporting Language (XBRL): (i) consolidated balance sheets as of January 31, 2020 and 2019, (ii) consolidated statements of operations for the fiscal years ended January 31, 2020, 2019 and 2018, (iii) consolidated statements of comprehensive income for the fiscal years ended January 31, 2020, 2019 and 2018, (iv) consolidated statements of stockholders' equity for the fiscal years ended January 31, 2020, 2019 and 2018, (v) consolidated statements of cash flows for the fiscal years ended January 31, 2020, 2019 and 2018, and (vi) notes to consolidated financial statements

* Management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY.

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CONN'S, INC.
(Registrant)

By: /s/ Norman Miller
Norman Miller
Chief Executive Officer and President

Date:
April 14, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Norman Miller Norman Miller	Chairman of the Board, Chief Executive Officer and President (Principal Executive Officer)	April 14, 2020
/s/ George L. Bchara George L. Bchara	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	April 14, 2020
/s/ Ryan R. Nelson Ryan R. Nelson	Chief Accounting Officer (Principal Accounting Officer)	April 14, 2020
/s/ Kelly M. Malson Kelly M. Malson	Director	April 14, 2020
/s/ Bob L. Martin Bob L. Martin	Director	April 14, 2020
/s/ William E. Saunders Jr. William E. Saunders Jr.	Director	April 14, 2020
/s/ Douglas H. Martin Douglas H. Martin	Director	April 14, 2020
/s/ David Schofman David Schofman	Director	April 14, 2020
/s/ James Haworth James Haworth	Director	April 14, 2020
/s/ Oded Shein Oded Shein	Director	April 14, 2020
Sue Gove	Director	April 14, 2020

Exhibit 4.7

DESCRIPTION OF THE RESITRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

Throughout this exhibit, references to "we," "our," and "us" refer to Conn's, Inc. The following summary of terms of our common stock, par value $0.01 per share (the "common stock"), and preferred stock, $0.01 value per share (the "preferred stock"), is based upon our Certificate of Incorporation (as amended, our "Certificate of Incorporation") and Second Amended and Restated Bylaws (as amended, our "Bylaws"). This summary is not complete and is subject to, and qualified in its entirety by reference to, our Certificate of Incorporation and our Bylaws. For a complete description of the terms and provisions of the common stock, refer to our Certificate of Incorporation and our Bylaws. We encourage you to read these documents and the applicable portions of the Delaware General Corporation Law (the "DGCL") carefully.

Authorized Capital Stock

Our authorized capital stock consists of 100,000,000 shares of common stock, $0.01 par value per share, and 1,000,000 shares of preferred stock, $0.01 par value per share.

Common Stock

Subject to the provisions of our Certificate of Incorporation and limitations prescribed by law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded, we may issue our common stock from time to time upon such terms and for such consideration as may be determined by our board of directors. Generally, the issuance of common stock, up to the aggregate amounts authorized by our Certificate of Incorporation and any limitations prescribed by law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded, will not require approval of our stockholders. The shares of common stock have no preemptive rights to participate in future stock offerings.

Voting

For all matters submitted to a vote of stockholders, the holders of our common stock, subject to any rights that may be granted to any preferred stockholders, elect all directors and are entitled to one vote for each share registered in the stockholder's name on all other matters coming before a stockholders' meeting. Our common stock does not have cumulative voting rights. Accordingly, holders of a majority of the shares of common stock entitled to vote in any uncontested election of directors may elect all of the directors standing for election. In a contested election, directors are elected by a plurality of the shares voting in person or by proxy. A plurality means receiving the largest number of votes, regardless of whether that is a majority.

Dividends

Holders of common stock are entitled to share ratably in any dividends declared by our board of directors, subject to any preferential dividend rights of any outstanding preferred stock. Dividends consisting of shares of common stock may be paid to holders of shares of common stock.

Liquidation and Dissolution

If we are liquidated or dissolve, the holders of our common stock will be entitled to share ratably in all the assets that remain after we pay our liabilities, subject to the prior rights of any outstanding preferred stock.

Other Rights and Restrictions

Holders of our common stock do not have preemptive rights, are not entitled to the benefits of any sinking fund, and have no right to convert their common stock into any other securities. Our common stock is not subject to redemption by us. Our Certificate of Incorporation and Bylaws do not restrict the ability of a holder of common stock to transfer the stockholder's shares of common stock.

The rights, powers, preferences and privileges of holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of any series of our preferred stock.

Listing

Our common stock is listed on the NASDAQ Global Select Market under the symbol "CONN."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company, Inc.

Anti-Takeover Provisions of Our Certificate of Incorporation and Bylaws and the Delaware General Corporation Laws

Our Certificate of Incorporation and Bylaws and the DGCL contain provisions that could have the effect of delaying, deferring or discouraging another party from acquiring control of us. These provisions, which are summarized below, are designed to, among other things, discourage coercive takeover practices and inadequate takeover bids and encourage persons seeking to acquire control of us to first negotiate with our board of directors in hopes of improving the terms of any such takeover bids.

Authorized but Unissued Capital Stock

We currently have 100,000,000 authorized shares of common stock and 1,000,000 authorized shares of preferred stock. Due to our authorized but unissued common stock and preferred stock, our board of directors may be able to discourage or make any attempt to obtain control of us more difficult. If, in the exercise of its fiduciary obligations, our board of directors determines that a takeover proposal is not in our best interest, the board of directors could issue a portion of these shares without stockholder approval, subject to any limitations prescribed by law or the rules of any stock exchange or automated quotation or system on which our securities may be listed or traded. These shares could be issued in one or more transactions that might prevent or make the completion of a proposed change of control transaction more difficult or costly by:

- diluting the voting or other rights of the proposed acquiror or insurgent stockholder group;
- creating a substantial voting block in institutional or other hands that might undertake to support the position of the incumbent board of directors; or
- effecting an acquisition that might complicate or preclude the takeover.

In this regard, our Certificate of Incorporation grants our board of directors broad power to establish the rights, preferences and limitations of the authorized and unissued shares of our preferred stock. For example, our board of directors could establish one or more series of preferred stock that entitle holders to:

- vote separately as a class on any proposed merger or consolidation;
- cast a proportionately larger vote together with our common stock on any proposed transaction or other voting matter;
- elect directors having terms of office or voting rights greater than those of our other directors;
- convert preferred stock into a greater number of shares of our common stock or other securities;
- demand redemption at a specified price under prescribed circumstances related to a change of control of us; or
- exercise other rights designed to impede a takeover.

Stockholder Action, Special Meeting of Stockholders, Advance Notice Requirements for Stockholder Proposals and Director Nominations

Our Bylaws establish an advance notice procedure for stockholders to make nominations of candidates for election as directors and to bring other business before an annual meeting of our stockholders. For notice of stockholder nominations to be timely, the notice must be received by our secretary not later than the close of business on the 90th calendar day, nor earlier than the close of business on the 120th calendar day, prior to the first anniversary of the date of the preceding year’s proxy statement in connection with the preceding year’s annual meeting. In addition to these procedures, a stockholder’s notice proposing to nominate a person for election as a director or relating to the conduct of business other than the nomination of directors must contain certain specified information. Otherwise, the Chairman of a meeting may determine that an individual was not nominated or the other business was not properly brought before the meeting.

No Stockholder Action by Written Consent; Special Meetings.

Any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by written consent without a meeting unless approved in advance by our board of directors. Special meetings of our stockholders for any purpose or purposes may be called only by our Chairman, our President or by a majority of our board of directors.

Delaware Anti-Takeover Provisions

We are subject to Section 203 of the DGCL. In general, the statute prohibits a publicly-held Delaware corporation from engaging in any “business combination” with any person deemed to be an “interested stockholder” for a period of three years following the date that the stockholder became an interested stockholder unless:

- prior to the date that the person became an interested stockholder, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding those shares owned by persons who are directors and also officers and by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or subsequent to the date that the person became an interested stockholder, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock not held by the interested stockholder.

Section 203 of the DGCL defines "business combination" to include:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, lease, transfer, pledge, or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation which directly or indirectly materially increases the proportionate share of stock owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 of the DGCL defines an interested stockholder as any person beneficially owning 15% or more of the outstanding voting stock of the corporation and any person controlling, controlled by or under common control with that person.

Section 203 of the DGCL may make it more difficult for an interested stockholder to effect various business combinations with us for a three-year period.

The above description of Section 203 of the DGCL is intended as a summary only and is qualified in its entirety by reference to Section 203 of the DGCL.

Exhibit 21

SUBSIDIARIES OF CONN'S, INC.

Subsidiary	Jurisdiction
Conn Appliances, Inc.	Texas
Conn Credit Corporation, Inc.	Texas
CAI Holding, LLC	Delaware
CAI Credit Insurance Agency, Inc.	Louisiana
Conn Credit I, LP	Texas
Conn Lending, LLC	Delaware
Conn's Receivables Funding I GP, LLC	Texas
Conn's Receivables, LLC	Delaware
Conn's Receivables Funding I, LP	Texas
Conn Appliances Receivables Funding, LLC	Delaware
Conn's Receivables Funding 2017-B, LLC	Delaware
Conn's Receivables 2017-B Trust	Delaware
Conn's Receivables Funding 2018-A, LLC	Delaware
Conn's Receivables 2018-A Trust	Delaware
Conn's Receivables Warehouse LLC	Delaware
Conn's Receivables Warehouse Trust	Delaware
Conn's Receivables Funding 2019-A, LLC	Delaware
Conn's Receivables 2019-A Trust	Delaware
Conn's Receivables Funding 2019-B, LLC	Delaware
Conn's Receivables 2019-B Trust	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-111280) pertaining to the 2003 Non-Employee Director Stock Option Plan of Conn’s, Inc.,

(2) Registration Statement (Form S-8 No. 333-111281) pertaining to the Amended and Restated 2003 Incentive Stock Option Plan of Conn’s, Inc.,

(3) Registration Statement (Form S-8 No. 333-111282) pertaining to the Employee Stock Purchase Plan of Conn’s, Inc.,

(4) Registration Statement (Form S-8 No. 333-139208) pertaining to the 2003 Non-Employee Director Stock Option Plan and Amended and Restated 2003 Incentive Stock Option Plan of Conn’s, Inc.,

(5) Registration Statement (Form S-8 No. 333-174997) pertaining to the 2011 Omnibus Incentive Plan of Conn’s, Inc.,

(6) Registration Statement (Form S-8 No. 333-174998) pertaining to the Non-Employee Director Restricted Stock Plan of Conn’s, Inc.,

(7) Registration Statement (Form S-8 No. 333-211584) pertaining to the 2016 Omnibus Incentive Plan of Conn’s, Inc.,

(8) Registration Statement (Form S-3 No. 333-228528) of Conn’s, Inc.,

(9) Registration Statement (Form S-8 No. 333-218555) pertaining to the Amended 2016 Omnibus Incentive Plan of Conn’s, Inc.

of our reports dated April 14, 2020, with respect to the consolidated financial statements of Conn’s, Inc. and the effectiveness of internal control over financial reporting of Conn’s, Inc. included in this Annual Report (Form 10-K) for the year ended January 31, 2020.

/s/ Ernst & Young LLP

Houston, Texas
April 14, 2020

EXHIBIT 31.1

RULE 13a-14(a)/15d-14(a) CERTIFICATION
(CHIEF EXECUTIVE OFFICER)

I, Norman L. Miller, certify that:

1. I have reviewed this annual report on Form 10-K of Conn's, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Norman L. Miller

Norman L. Miller

Chairman of the Board, Chief Executive Officer and President

Date: April 14, 2020

EXHIBIT 31.2

RULE 13a-14(a)/15d-14(a) CERTIFICATION
(CHIEF FINANCIAL OFFICER)

I, George L. Bchara, certify that:

1. I have reviewed this annual report on Form 10-K of Conn’s, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ George L. Bchara

George L. Bchara

Executive Vice President and Chief Financial Officer

Date: April 14, 2020

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Conn’s, Inc. (the “Company”) on Form 10-K for the period ended January 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Norman L. Miller, Chairman of the Board, Chief Executive Officer and President of the Company, and George L. Bchara, Executive Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Norman L. Miller

Norman L. Miller
Chairman of the Board, Chief Executive Officer and President

/s/ George L. Bchara

George L. Bchara
Executive Vice President and Chief Financial Officer

Dated: April 14, 2020

A signed original of this written statement required by Section 906 has been provided to Conn’s, Inc. and will be retained by Conn’s, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.