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

**FORM 8-K
CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **December 9, 2014**

Conn's, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

1-34956
(Commission File Number)

06-1672840
(IRS Employer Identification No.)

**4055 Technology Forest Blvd., Suite 210
The Woodlands, Texas**
(Address of principal executive offices)

77381
(Zip Code)

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

Not applicable

(Former name or former address, if changed since last report.)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On December 9, 2014, Conn's, Inc. ("**Conn's**") issued a press release announcing its third-quarter fiscal 2015 financial results. A copy of the press release is furnished herewith as Exhibit 99.1 and is incorporated herein by reference.

None of the information contained in Item 2.02 or Exhibit 99.1 of this Form 8-K shall be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and none of it shall be incorporated by reference in any filing under the Securities Act of 1933, as amended.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On December 9, 2014, Conn's announced the departure of Brian E. Taylor, Conn's Vice President, Chief Financial Officer and Treasurer and that Mr. Mark Haley, age 46, Vice President and Chief Accounting Officer of Conn's, has been appointed as Interim Chief Financial Officer.

The information regarding Mr. Haley provided in Item 5.02 of the Current Report on Form 8-K filed by Conn's on October 17, 2014 (the "**Previous 8-K**") is hereby incorporated into this Item 5.02 by reference.

No changes to Mr. Haley's compensation arrangements have occurred since the filing of the Previous 8-K.

The press release announcing these changes is attached hereto as Exhibit 99.1.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 Press Release, dated December 9, 2014.

SIGNATURE

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

CONN'S, INC.

Date: December 9, 2014

By: /s/ Mark Haley

Name: Mark Haley

Title: Vice President and Interim Chief Financial Officer

Conn's, Inc. Reports Third-Quarter Fiscal 2015 Financial Results***Announces CFO Transition******Outlines Initiatives to Provide Additional Oversight***

THE WOODLANDS, Texas--(BUSINESS WIRE)--December 9, 2014--**Conn's, Inc. (NASDAQ:CONN)**, a specialty retailer of furniture, mattresses, home appliances, consumer electronics and provider of consumer credit, today announced its financial results for the third quarter ended October 31, 2014. The Company also announced a transition of its Chief Financial Officer, changes to its management structure and new initiatives by the Board of Directors to enhance oversight of the business as Conn's continues to actively pursue its previously announced review of strategic alternatives.

Financial Results

Third-quarter fiscal 2015 significant items included (on a year-over-year basis unless noted):

- Consolidated revenues increased 19.0% to \$370.1 million;
- Same store sales declined 1.0%, influenced by tighter credit underwriting standards and the lapping of marketing strategy changes that drove a 35.1% increase a year ago;
- Furniture and mattress sales increased 37.4% and appliance sales rose 24.6%;
- Entered three new markets with the opening of six Conn's HomePlus[®] stores;
- Retail gross margin increased 50 basis points to 40.6%;
- Adjusted retail segment operating income increased 11.9% to \$38.1 million;
- Credit segment operating income decreased \$43.6 million to an operating loss of \$33.2 million, driven by increased provision for bad debts;
- The percentage of the customer portfolio balance 60+ days delinquent was 10.0% as of October 31, 2014, an increase of 130 basis points from July 31, 2014; and
- Diluted loss was \$0.08 per share, compared to diluted earnings of \$0.66 per share in the prior year.

Theodore M. Wright, Conn's chairman and chief executive officer commented, "In the third quarter, we drove significant growth and expanded gross margins in the retail segment, but these gains were more than offset by additional provisions for credit losses. Customer credit scores continue to deteriorate. Despite underwriting changes reducing the percentage of originations to customers with scores below 550, the proportion of customers in late stage delinquency with a score below 550 increased this year, though it has remained relatively constant since the end of the second quarter. As a result, delinquency rates have increased and losses are being realized at a faster pace than originally anticipated. We recorded additional provisions for credit losses this quarter, based on the assumption that we will not realize any improvement in these trends over the next 12 months, despite the underwriting changes and improved collections execution. Although the realization of losses associated with the credit segment is occurring at a faster pace than originally anticipated, at this time, we do not believe we will experience static loss rates that are significantly different from our previous estimates. November credit performance has provided evidence of stabilizing credit trends, with the over-sixty-day delinquency rate holding steady at 10%. The percentage of balances 31 to 60 days past due declined for the quarter and again in November 2014 to 3.3% as compared to 3.6% a year ago. We are disappointed in this quarter's reported results, and we are committed to improving performance in the credit segment through better execution and oversight."

He continued, “The retail segment successfully opened six new stores and delivered increased retail gross margins compared to the prior year quarter. Additionally, we had only a slight decline in same store sales, despite underwriting changes that negatively impacted same store sales by approximately 12% during the third quarter. November same store sales increased 0.5%. Television same store sales in November increased 5.5%, led by strong sales of Ultra HD televisions.”

Retail Segment Results (on a year-over-year basis unless otherwise noted)

Total retail revenues were \$305.1 million for the quarter ended October 31, 2014, an increase of \$47.7 million, or 18.5%. The retail revenue growth reflects the impact of the net addition of 17 stores over the past 12 months. Comparable store sales were down slightly reflecting the impact of tighter year-over-year credit segment underwriting standards, fully lapping changes in marketing strategies last year which drove a 35.1% increase in same store sales and industry headwinds in the electronics categories. Additionally, the Company’s decision to discontinue sales of lower-margin lawn equipment reduced the reported year-over-year sales increase by \$2.4 million.

The following table presents net sales and changes in net sales by category:

| | Three Months Ended October 31, | | | | Change | % Change | Same store % change |
|------------------------|--------------------------------|------------|------------|------------|-----------|----------|------------------------|
| | 2014 | % of Total | 2013 | % of Total | | | |
| | <i>(dollars in thousands)</i> | | | | | | |
| Furniture and mattress | \$ 86,820 | 28.5% | \$ 63,191 | 24.6% | \$ 23,629 | 37.4 % | 7.0 % |
| Home appliance | 82,811 | 27.2 | 66,453 | 25.9 | 16,358 | 24.6 | 9.5 |
| Consumer electronics | 73,722 | 24.2 | 68,396 | 26.6 | 5,326 | 7.8 | (6.4) |
| Home office | 28,380 | 9.3 | 28,613 | 11.1 | (233) | (0.8) | (11.1) |
| Other | 6,406 | 2.1 | 7,506 | 2.9 | (1,100) | (14.7) | (29.9) |
| Product sales | 278,139 | 91.3 | 234,159 | 91.1 | 43,980 | 18.8 | (0.4) |
| Repair service | | | | | | | |
| agreement commissions | 23,056 | 7.6 | 19,601 | 7.6 | 3,455 | 17.6 | (5.5) |
| Service revenues | 3,414 | 1.1 | 3,286 | 1.3 | 128 | 3.9 | |
| Total net sales | \$ 304,609 | 100.0% | \$ 257,046 | 100.0% | \$ 47,563 | 18.5 % | (1.0) % |

The following provides a summary of items influencing Conn’s product category performance during the quarter, compared to the prior-year period:

- Furniture unit sales increased 31.7% and the average selling price increased 2.0%;
- Mattress unit volume increased 24.8% and the average selling price increased 12.6%;
- Home appliances unit volume increased 17.1% with a 6.4% increase in average selling price. Laundry sales increased 30.2%, refrigeration sales increased 26.0%, cooking sales increased 21.4% and air conditioning sales declined 27.3%;
- Television sales increased 3.4% in total and declined 10.5% on a same store basis. Gaming hardware sales increased more than 400%;
- Computer sales increased 16.1% and tablet sales declined 47.0%; and
- Other sales declined 14.7% due to the exit of the lawn equipment category.

Retail gross margin was 40.6% for the quarter ended October 31, 2014, an increase of 50 basis points from the prior-year period. The year-over-year increase in retail gross margin is attributable to the significant growth in higher-margin furniture and mattress sales. Furniture and mattress sales contributed 31.2% of the total product sales and 43.3% of the total product gross profit in the current period. For the third quarter of fiscal 2015, home appliance accounted for 26.6% of total product gross profit, consumer electronics generated 21.4% of total product gross profit and home office contributed 5.7% of total product gross profit.

In connection with the opening of eight stores in the third and fourth quarters of fiscal 2015, the Company incurred \$3.9 million in unlevered SG&A expenses during the quarter. This compares with \$2.5 million of similar expenses in the prior-year period.

Credit Segment Results (on a year-over-year basis unless otherwise noted)

Credit revenues increased 21.6% to \$64.9 million. The credit revenue growth was attributable to the increase in the average receivable portfolio balance outstanding. The customer portfolio balance equaled \$1.25 billion at October 31, 2014, rising 32.7%, or \$308.7 million from the prior year. The portfolio interest and fee income yield on an annualized basis was 16.9% for the third quarter, down 90 basis points from the same period last year reflecting a higher provision for uncollectable interest.

Provision for bad debts for the three months ended October 31, 2014 was \$72.0 million, an increase of \$49.4 million from the same prior-year period. The year-over-year increase was impacted by the following:

- A 36.4% increase in the average receivable portfolio balance resulting from new store openings and same store growth over the past 12 months;
- A 12.3% increase in the balances originated during the quarter compared to the prior year;
- An increase of 150 basis points in the percentage of customer accounts receivable balances greater than 60 days delinquent to 10.0% at October 31, 2014. Delinquency increased year-over-year across credit quality levels, customer groups, product categories, geographic regions and years of origination. Despite tighter underwriting and better collections execution, deterioration in the customer's ability to resolve delinquency continued throughout the quarter and the expectations for charge-offs over the next 12 months were adjusted to fully reflect this trend;
- Higher expected charge-offs over the next twelve-month period as losses are occurring at a faster pace than previously anticipated, due to the continued deterioration in the customer's ability to resolve delinquency;
- The decision to pursue collection of past and future charged-off accounts internally rather than selling charged off accounts to a third party. This change resulted in \$7.6 million in additional provision as recoveries are expected to occur over an extended time period, which results in a reduction in expected cash recoveries over the next twelve months; and
- The balance of customer receivables accounted for as troubled debt restructurings increased to \$73.4 million, or 5.9% of the total portfolio balance, driving \$4.1 million of the increase in provision for bad debts.

Additional information on the credit portfolio and its performance may be found in the table included within this press release and in the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2014, to be filed with the Securities and Exchange Commission.

Net Income Results

For the quarter ended October 31, 2014, Conn's reported a net loss of \$0.08 per diluted share, which included net pretax charges and credits of \$0.4 million associated with facility closures and legal and professional fees related to the Company's exploration of strategic alternatives and a class action lawsuit. This compares to \$0.66 per diluted share for the prior-year quarter, which included a pretax charge of \$2.8 million, or \$0.08 per diluted share, associated with facility closures.

Store Update

Conn's opened six HomePlus[®] stores in three new markets during the third quarter. These new stores are located in Lubbock, Texas; Denver, Colorado (2); Greenville, South Carolina; Tucson, Arizona; and Charlotte, North Carolina. The Company closed three stores in Texas and remodeled or relocated four other stores during the third quarter. In November, Conn's opened two additional stores in Fort Collins and Colorado Springs, Colorado. With new store openings and the remodeling or relocation of existing stores, 77 of the Company's 91 stores were operating in the Conn's HomePlus[®] format at November 30, 2014. The Company plans to open 15 to 18 new stores and close two stores in fiscal 2016.

Capital and Liquidity

As of October 31, 2014, the Company had \$450.5 million of borrowings outstanding under its asset-based credit facility. The Company had \$335.3 million of immediately available borrowing capacity, with an additional \$93.1 million that could become available upon increases in eligible inventory and customer receivable balances under the borrowing base.

Management Change

Conn's today announced the departure of Brian Taylor, the Company's Chief Financial Officer. Effective immediately, the Company has appointed Mark Haley as Interim Chief Financial Officer. Prior to joining Conn's as Vice President and Chief Accounting Officer in October 2014, Mr. Haley was Vice President and Chief Accounting Officer at Coldwater Creek, Inc. for four years. He previously served as Senior Director, Financial Reporting at Supervalu, Inc. for three years and spent 16 years with Deloitte in Assurance Services. The Company has engaged an executive search firm to identify qualified candidates for the permanent Chief Financial Officer position. The search process will include both internal and external candidates.

"On behalf of Conn's Board of Directors, I would like to thank Brian for his valuable contributions to Conn's growth over the last several years and wish him the best in his future endeavors. Brian's commitment and effort were essential to the expansion of the Company. Given Mark's relevant industry and leadership experience, I have the utmost confidence in his ability to assume the responsibilities of CFO during the search for a permanent successor," Mr. Wright said.

Additional Oversight

Conn's also announced several new initiatives by its Board of Directors that are intended to enhance oversight of the business at a time when the senior management team is contending with a combination of rapid portfolio growth and a more difficult credit collection environment. Although the Company's retail operations have performed well, with successful new store openings and product margin expansion, the performance of the Company's credit operations has been disappointing several times over the last twelve months. Additionally, the Company recognizes that its credit operations forecasting has not been acceptably accurate.

To help address these challenges, the Board of Directors has established a Credit Risk and Compliance Committee. The Board of Directors members on this committee will be responsible for reviewing credit risks, underwriting strategy and credit compliance activities. The committee will direct and supervise an independent evaluation of underwriting standards to validate underwriting processes and results. A Board of Directors-directed evaluation of collections operations by two independent third-party advisors has already been completed. These reviews identified no significant deficiencies in operations effectiveness but did identify opportunities for improvement, particularly in collections cost efficiency.

Additionally, the Board of Directors has approved two new positions to augment its management team. The Board of Directors has initiated a search for a President, who will report directly to the Company's Chairman and Chief Executive Officer. The Company is seeking candidates for this position with demonstrated senior leadership capabilities in large, complex retail and/or consumer credit organizations. The Board of Directors has also initiated a search for a Chief Risk Officer, who will report to the Company's Chief Operating Officer and provide periodic reporting to the Credit Risk and Compliance Committee of the Board of Directors. The Board of Directors is taking these actions in response to the growing scale and complexity of the Company's credit business, along with increasing industry-wide regulatory scrutiny.

Strategic Alternatives

In October 2014, the Company announced that its Board of Directors authorized management to explore a full range of strategic alternatives for the Company to potentially enhance value for stockholders. The Company has engaged an independent financial advisor to assist in this process and is actively engaged in preliminary discussions with multiple parties about a range of potential strategic alternatives.

No timetable has been set for the completion of the process.

Conn's does not expect to comment further or update the market with any further information on the process unless and until its Board of Directors has approved a specific transaction or otherwise deems disclosure appropriate or necessary. There can be no assurance that this strategic alternatives review will result in the Company changing its current business plan, pursuing a particular transaction or completing any such transaction.

Outlook and Guidance

With the ongoing review of strategic alternatives and the oversight initiatives being undertaken by the Company, the Company has decided to withdraw its earnings guidance for fiscal 2015 and is not currently providing earnings guidance with respect to fiscal 2016.

The following are the Company's expectations for its business for the fourth quarter:

- Same stores sales flat to up 3%;
- Retail gross margin between 39.0% and 40.0%;
- Opening of 2 new stores during the quarter; and
- Closure of 1 store during the quarter.

Beginning with December results, the Company will release, shortly after the end of the month, same store sales and greater than 60 days delinquency performance. The Company believes this will provide investors with timely, relevant information about business trends and expects to continue this practice until the Company experiences more stability in its results.

Conference Call Information

Conn's will host a conference call and audio webcast on Tuesday, December 9, at 10 a.m. CT / 11 a.m. ET, to discuss its earnings and operating performance for the fiscal 2015 third quarter. A link to the live webcast, which will be archived for one year, and slides to be referred to during the call will be available at <http://ir.Conn's.com>. Participants may also join the live call by dialing 877-754-5302 or 678-894-3020.

Replay of the telephonic call can be accessed through December 16, by dialing 855-859-2056 or 404-537-3406 and Conference ID: 85285941.

About Conn's, Inc.

Conn's is a specialty retailer currently operating 91 retail locations in Arizona, Colorado, Louisiana, Mississippi, Nevada, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee and Texas. The Company's primary 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;
 - Home appliance, including refrigerators, freezers, washers, dryers, dishwashers and ranges;
 - Consumer electronics, including LCD, LED, 3-D, Ultra HD and plasma televisions, Blu-ray players, home theater and video game products, digital cameras and portable audio equipment; and
 - Home office, including computers, tablets, printers and accessories.
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Additionally, Conn's offers a variety of products on a seasonal basis. Unlike many of its competitors, Conn's provides flexible in-house credit options for its customers in addition to third-party financing programs and third-party rent-to-own payment plans.

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. Such forward-looking statements include information concerning the Company's future financial performance, business strategy, plans, goals and objectives. Statements containing the words "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "project," "should," or the negative of such terms or other similar expressions are generally forward-looking in nature and not historical facts. Although we believe that the expectations, opinions, projections, and comments reflected in these forward-looking statements are reasonable, we can give no assurance that such statements will prove to be correct. A wide variety of potential risks, uncertainties, and other factors could materially affect the Company's ability to achieve the results either expressed or implied by the Company's forward-looking statements including, but not limited to: whether any potential sale of or other strategic transaction by or related to Conn's will be consummated and, if so, the timing and terms of any such transaction, including any possible sale price; general economic conditions impacting the customers or potential customers; the Company's ability to continue existing or to offer new customer financing programs; changes in the delinquency status of the Company's credit portfolio; unfavorable developments in ongoing litigation; increased regulatory oversight; higher than anticipated net charge-offs in the credit portfolio; the success of the Company's planned opening of new stores and the updating of existing stores; technological and market developments and sales trends for the Company's major product offerings; the Company's ability to protect against cyber-attacks or data security breaches and to protect the integrity and security of individually identifiable data of the customers and the Company's employees; the Company's ability to fund the Company's operations, capital expenditures, debt repayment and expansion from cash flows from operations, borrowings from the Company's revolving credit facility, and proceeds from accessing debt or equity markets; and the other risks detailed in the Company's SEC reports, including but not limited to, the Company's Annual Report on Form 10-K for the Company's fiscal year ended January 31, 2014 and the Company's Quarterly Reports on Form 10-Q. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. Except as required by law, the Company is not obligated to publicly release any revisions or update to these forward-looking statements to reflect events or circumstances after the date of this press release or to reflect the occurrence of unanticipated events.

CONN'S, INC. AND SUSIDIARIES
CONDENSED, CONSOLIDATED STATEMENT OF OPERATIONS
(unaudited)
(in thousands, except per share amounts)

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|-----------------------------------|------------------|----------------------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | |
| Total net sales | \$ 304,609 | \$ 257,046 | \$ 870,519 | \$ 690,206 |
| Finance charges and other | 65,449 | 53,830 | 187,951 | 142,422 |
| Total revenues | 370,058 | 310,876 | 1,058,470 | 832,628 |
| Cost and expenses: | | | | |
| Cost of goods sold, including warehousing and occupancy costs | 178,976 | 151,987 | 508,475 | 411,484 |
| Cost of parts sold, including warehousing and occupancy costs | 1,525 | 1,286 | 4,815 | 4,010 |
| Selling, general and administrative expense | 112,562 | 90,341 | 320,069 | 242,353 |
| Provision for bad debts | 72,019 | 22,730 | 133,862 | 58,049 |
| Charges and credits | 355 | 2,834 | 3,601 | 2,834 |
| Total cost and expenses | 365,437 | 269,178 | 970,822 | 718,730 |
| Operating income | 4,621 | 41,698 | 87,648 | 113,898 |
| Interest expense | 8,950 | 3,714 | 19,921 | 10,720 |
| Other income, net | - | - | - | (38) |
| Income (loss) before income taxes | (4,329) | 37,984 | 67,727 | 103,216 |
| Provision (benefit) for income taxes | (1,265) | 13,608 | 24,672 | 37,502 |
| Net income (loss) | \$ (3,064) | \$ 24,376 | \$ 43,055 | \$ 65,714 |
| Earnings (loss) per share: | | | | |
| Basic | (\$0.08) | \$ 0.68 | \$ 1.19 | \$ 1.84 |
| Diluted | (\$0.08) | \$ 0.66 | \$ 1.17 | \$ 1.79 |
| Weighted average common shares outstanding: | | | | |
| Basic | 36,265 | 35,955 | 36,203 | 35,686 |
| Diluted | 36,265 | 36,965 | 36,928 | 36,795 |

CONN'S, INC. AND SUSIDIARIES
CONDENSED RETAIL SEGMENT FINANCIAL INFORMATION
(unaudited)
(dollars in thousands)

| | Three Months Ended | | Nine Months Ended | |
|--|---------------------------|-------------------------|--------------------------|-------------------------|
| | October 31, | | October 31, | |
| | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | |
| Product sales | \$ 278,139 | \$ 234,159 | \$ 796,525 | \$ 628,482 |
| Repair service agreement commissions | 23,056 | 19,601 | 64,042 | 52,756 |
| Service revenues | 3,414 | 3,286 | 9,952 | 8,968 |
| Total net sales | <u>304,609</u> | <u>257,046</u> | <u>870,519</u> | <u>690,206</u> |
| Finance charges and other revenues | 531 | 438 | 1,340 | 1,067 |
| Total revenues | <u>305,140</u> | <u>257,484</u> | <u>871,859</u> | <u>691,273</u> |
| Cost and expenses: | | | | |
| Cost of goods sold, including warehousing and occupancy costs | 178,976 | 151,987 | 508,475 | 411,484 |
| Cost of parts sold, including warehousing and occupancy costs | 1,525 | 1,286 | 4,815 | 4,010 |
| Selling, general and administrative expense | 86,436 | 69,920 | 245,102 | 188,340 |
| Provision for bad debts | 54 | 203 | 98 | 389 |
| Charges and credits | 355 | 2,834 | 3,601 | 2,834 |
| Total cost and expenses | <u>267,346</u> | <u>226,230</u> | <u>762,091</u> | <u>607,057</u> |
| Operating income | <u>37,794</u> | <u>31,254</u> | <u>109,768</u> | <u>84,216</u> |
| Other income, net | - | - | - | (38) |
| Income before income taxes | <u>\$ 37,794</u> | <u>\$ 31,254</u> | <u>\$ 109,768</u> | <u>\$ 84,254</u> |
| Retail gross margin | 40.6% | 40.1% | 40.9% | 39.6% |
| Selling, general and administrative expense as percent of revenues | 28.3% | 27.2% | 28.1% | 27.2% |
| Operating margin | 12.4% | 12.1% | 12.6% | 12.2% |
| Store count: | | | | |
| Beginning of period | 86 | 72 | 79 | 68 |
| Opened | 6 | 2 | 16 | 6 |
| Closed | (3) | (2) | (6) | (2) |
| End of period | <u>89</u> | <u>72</u> | <u>89</u> | <u>72</u> |

CONN'S, INC. AND SUSIDIARIES
CONDENSED CREDIT SEGMENT FINANCIAL INFORMATION
(unaudited)
(dollars in thousands)

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-----------------|--------------------|------------------|
| | October 31, | | October 31, | |
| | 2014 | 2013 | 2014 | 2013 |
| Revenues - | | | | |
| Finance charges and other revenues | \$ 64,918 | \$ 53,392 | \$ 186,611 | \$ 141,355 |
| Cost and expenses: | | | | |
| Selling, general and administrative expense | 26,126 | 20,421 | 74,967 | 54,013 |
| Provision for bad debts | 71,965 | 22,527 | 133,764 | 57,660 |
| Total cost and expenses | 98,091 | 42,948 | 208,731 | 111,673 |
| Operating income (loss) | (33,173) | 10,444 | (22,120) | 29,682 |
| Interest expense | 8,950 | 3,714 | 19,921 | 10,720 |
| Income (loss) before income taxes | \$ (42,123) | \$ 6,730 | \$ (42,041) | \$ 18,962 |
| Selling, general and administrative expense as percent of revenues | 40.2% | 38.2% | 40.2% | 38.2% |
| Operating margin | (51.1)% | 19.6% | (11.9)% | 21.0% |

CUSTOMER RECEIVABLE PORTFOLIO STATISTICS
(dollars in thousands, except average outstanding balance per account)

| | October 31, | |
|---|--------------|------------|
| | 2014 | 2013 |
| Total outstanding balance | \$ 1,253,523 | \$ 944,826 |
| Weighted average credit score of outstanding balances | 595 | 591 |
| Number of active accounts | 695,865 | 563,573 |
| Weighted average months since origination of outstanding balance | 8.7 | 8.6 |
| Average outstanding account balance | \$ 1,801 | \$ 1,676 |
| Account balances 60+ days past due | \$ 125,678 | \$ 80,505 |
| Percent of balances 60+ days past due to total outstanding balance | 10.0% | 8.5% |
| Total account balances re-aged | \$ 164,216 | \$ 102,802 |
| Percent of re-aged balances to total outstanding balance | 13.1% | 10.9% |
| Account balances re-aged more than six months | \$ 34,604 | \$ 20,738 |
| Percent of total allowance for bad debts to total outstanding customer receivable balance | 10.6% | 6.3% |
| Percent of total outstanding balance represented by no-interest option receivables | 33.9% | 33.4% |

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|--|-----------------------------------|--------------|----------------------------------|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| Data for the periods ended: | | | | |
| Total applications processed | 313,663 | 267,558 | 874,911 | 682,453 |
| Weighted average origination credit score of sales financed | 608 | 599 | 607 | 601 |
| Percent of total applications approved | 41.7% | 48.5% | 44.8% | 50.4% |
| Average down payment | 3.6% | 3.4% | 3.8% | 3.7% |
| Average income of credit customer at origination | \$ 40,700 | \$ 41,000 | \$ 39,800 | \$ 40,200 |
| Average total outstanding balance | \$ 1,220,935 | \$ 895,087 | \$ 1,147,793 | \$ 820,305 |
| Bad debt charge-offs (net of recoveries) | \$ 27,064 | \$ 16,922 | \$ 76,812 | \$ 42,653 |
| Percent of bad debt charge-offs (net of recoveries) to average outstanding balance, annualized | 8.9% | 7.6% | 8.9% | 6.9% |
| Weighted average monthly payment rate | 4.94% | 5.06% | 5.17% | 5.46% |
| Provision for bad debts | \$ 71,965 | \$ 22,527 | \$ 133,764 | \$ 57,660 |
| Provision for bad debts as a percentage of average outstanding balance (annualized) | 23.6% | 10.1% | 15.5% | 9.4% |
| Percent of retail sales paid for by: | | | | |
| In-house financing, including down payment received | 77.3% | 79.5% | 77.2% | 73.2% |
| Third-party financing | 11.4% | 11.5% | 11.9% | 11.7% |
| Third-party rent-to-own options | 4.8% | 2.5% | 4.3% | 2.9% |
| Total | 93.5% | 93.5% | 93.4% | 87.8% |

CONN'S, INC. AND SUSIDIARIES
CONDENSED, CONSOLIDATED BALANCE SHEET
(unaudited)
(dollars in thousands)

| | October 31, 2014 | January 31, 2014 |
|---|-----------------------------|-----------------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 5,760 | \$ 5,727 |
| Customer accounts receivable, net | 598,241 | 527,267 |
| Other accounts receivable, net | 75,245 | 51,480 |
| Inventories | 168,603 | 120,530 |
| Deferred income taxes | 40,562 | 20,284 |
| Income taxes recoverable | 12,846 | 2,187 |
| Prepaid expenses and other assets | 9,389 | 8,120 |
| Total current assets | 910,646 | 735,595 |
| Long-term customer accounts receivable, net | 507,399 | 457,413 |
| Property and equipment, net | 116,585 | 86,842 |
| Deferred income taxes | 11,070 | 7,721 |
| Other assets, net | 10,306 | 10,415 |
| Total Assets | \$ 1,556,006 | \$ 1,297,986 |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities | | |
| Current portion of long-term debt | \$ 391 | \$ 420 |
| Accounts payable | 92,100 | 82,861 |
| Accrued expenses | 45,709 | 39,334 |
| Other current liabilities | 25,137 | 19,992 |
| Total current liabilities | 163,337 | 142,607 |
| Long-term debt | 696,310 | 535,631 |
| Other long-term liabilities | 59,681 | 30,458 |
| Total liabilities | 919,328 | 708,696 |
| Stockholders' equity | 636,678 | 589,290 |
| Total liabilities and stockholders' equity | \$ 1,556,006 | \$ 1,297,986 |

**NON-GAAP RECONCILIATION OF RETAIL SEGMENT
OPERATING INCOME, AS ADJUSTED**
(unaudited)
(dollars in thousands)

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|-----------------------------------|------------------|----------------------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Operating income, as reported | \$ 37,794 | \$ 31,254 | \$ 109,768 | \$ 84,216 |
| Adjustments: | | | | |
| Costs (credits) related to facility closures | (141) | 2,834 | 3,105 | 2,834 |
| Legal and other fees related to evaluation of strategic alternatives and class action lawsuit | 496 | - | 496 | - |
| Operating income, as adjusted | \$ 38,149 | \$ 34,088 | \$ 113,369 | \$ 87,050 |
| Retail segment revenues | \$ 305,140 | \$ 257,484 | \$ 871,859 | \$ 691,273 |
| Operating margin | | | | |
| As reported | 12.4% | 12.1% | 12.6% | 12.2% |
| As adjusted | 12.5% | 13.2% | 13.0% | 12.6% |

Basis for presentation of non-GAAP disclosures:

To supplement the Company's condensed consolidated financial statements, which are prepared and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"), the Company also provides retail segment adjusted operating income and adjusted operating margin. These non-GAAP financial measures are not meant to be considered as a substitute for comparable GAAP measures but should be considered in addition to results presented in accordance with GAAP, and are intended to provide additional insight into the Company's operations and the factors and trends affecting the Company's business. The Company's management believes these non-GAAP financial measures are useful to financial statement readers because (1) they allow for greater transparency with respect to key metrics the Company uses in its financial and operational decision making and (2) they are used by some of its institutional investors and the analyst community to help them analyze the Company's operating results.

CONN-G

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