

August 8, 2008

Key Metrics

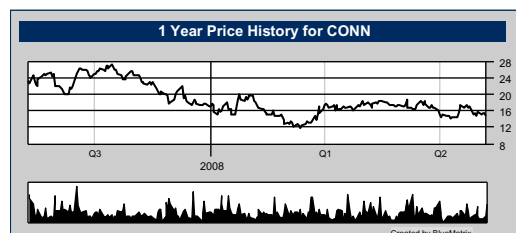
CONN - NASDAQ	\$14.67
Pricing Date	08/07/2008
Price Target	NA
52-Week Range	\$28.54-\$11.50
Shares Outstanding (mm)	22.4
Market Capitalization (\$mm)	\$328.7
3-Mo Average Daily Volume	241,800
Institutional Ownership	49%
Debt/Total Capital	6.6%
ROE	14.0%
Book Value/Share	\$13.25
Price/Book	1.1x
Dividend Yield	NM
LTM EBITDA Margin	9.10%

EPS(\$) FY: January

	2008A	Prior 2009E	Curr. 2009E	Prior 2010E	Curr. 2010E
1Q-Apr	0.54	--	0.56A	--	--
2Q-Jul	0.40	0.39E	0.38E	--	--
3Q-Oct	0.28	--	0.32E	--	--
4Q-Jan	0.58	--	0.57E	--	--
FY	1.80	1.84E	1.83E	--	2.06E
P/E	8.2x		8.0x		7.1x

Revenue(\$mm)

	2008A	Prior 2009E	Curr. 2009E	Prior 2010E	Curr. 2010E
1Q-Apr	205.3	--	221.6A	--	--
2Q-Jul	203.5	220.8E	215.4E	--	--
3Q-Oct	193.4	--	210.0E	--	--
4Q-Jan	226.3	--	245.0E	--	--
FY	828.5	897.4E	892.0E	--	987.9E



Company Description: Conn's Inc. (www.conns.com) operates as a specialty retailer of home appliances and consumer electronics in the United States. It sells appliances, consumer electronics, lawn and garden, furniture, and mattresses. Conn's Inc. was founded in 1890 and is headquartered in Beaumont, Texas.

Conn's Inc.

Rating: Hold

F2Q09 Product Sales Up 6.5%; Comparable Store Sales Down 1.4%

Investment Highlights:

- **Conn's, Inc. reports same store sales decrease of 1.4% for F2Q09.** Today, Conn's reported a same store sales decrease of 1.4% for F2Q09 vs F2Q08. Same store sales for FH09 have decreased 0.2%.
- **Consumer electronics and track sales increase net sales by 6.5%.** Strong growth in consumer electronics and track sales increased net sales by \$11.6mm to \$190.6mm for the quarter, a 6.5% increase over the same period last year. Results were slightly below our expectations for flat comparable store sales and revenues of roughly \$195mm. The released results do not include finance charges/other, which we project to be up 11.5% Y/Y. Consumer electronics sales growth was driven by continued high demand for LCD televisions, which offset declines in projection and plasma sets. Track sales increases were attributable to higher laptop computer and video game equipment sales, and the addition of GPS devices.
- **Conn's increases store base in F2Q09, adding four new locations.** For the quarter ended July 31, 2008, Conn's opened four new stores, increasing total stores to 73 retail locations in Texas, Louisiana, and Oklahoma. Since May 1, 2007, Conn's has opened 11 new locations. According to the company, 76 stores will be open by the end of the year.
- **Total sales and F2Q09 EPS expected to be reported on Thursday, August 28th.** Conn's is scheduled to report complete F2Q09 sales and EPS results on Thursday, August 28th, with a conference call scheduled that day. We maintain our Hold rating.

EQUITY RESEARCH

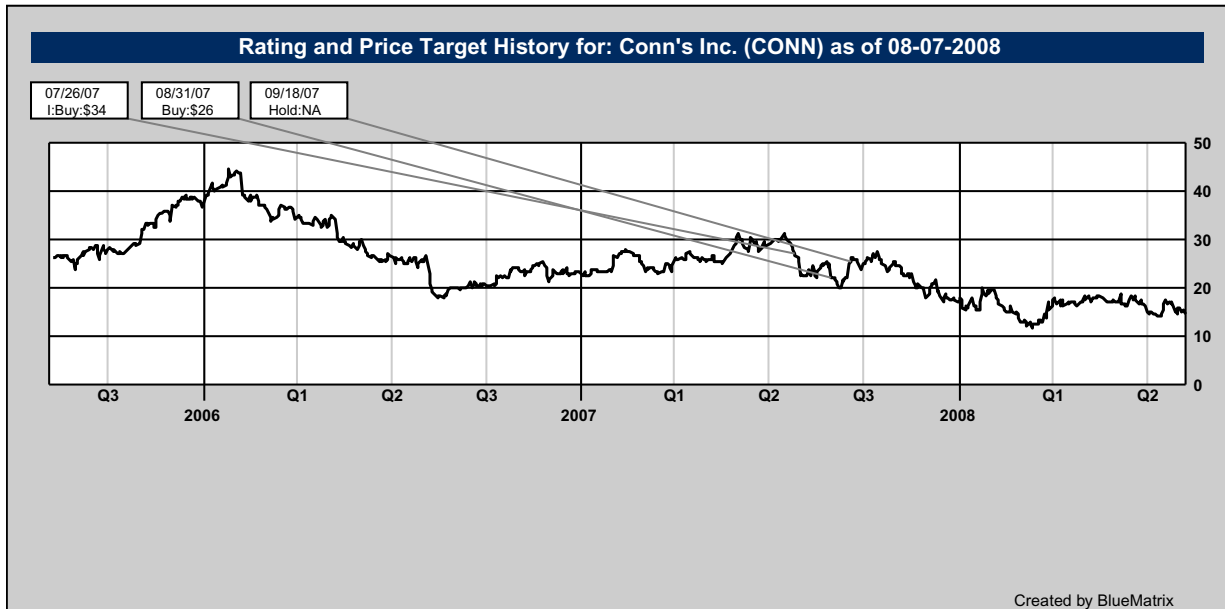
Conn's Inc. (CONN)

(In Millions, Except Per Share Data)

Quarter end	FY 2006	Q1 Apr-06	Q2 Jul-06	Q3 Oct-06	Q4* Jan-07	FY 2007	Q1 Apr-07	Q2 Jul-07	Q3 Oct-07	Q4 Jan-08	FY 2008	Q1 Apr-08	Q2E Jul-08	Q3E Oct-08	Q4E Jan-09	FYE 2009	FYE 2010
Sales	701.4	192.2	182.2	173.7	212.6	760.7	205.3	203.5	193.4	226.3	828.5	221.6	215.4	210.0	245.0	892.0	987.9
<i>% Increase</i>	23.7%	21.5%	10.7%	0.6%	3.2%	8.4%	6.8%	11.7%	11.3%	6.5%	8.9%	7.9%	5.8%	8.6%	8.3%	7.7%	10.7%
Cost of Goods Sold	453.4	120.1	114.1	106.0	132.8	473.1	126.3	127.5	120.4	143.0	517.3	141.4	137.7	132.8	157.3	569.2	627.2
<i>As % Sales</i>	64.6%	62.5%	62.6%	61.0%	62.5%	62.2%	61.5%	62.7%	62.3%	63.2%	62.4%	63.8%	63.9%	63.3%	64.2%	63.8%	63.5%
<i>% Increase</i>	26.0%	17.6%	8.9%	-4.8%	-1.6%	4.3%	5.1%	11.7%	13.7%	7.7%	9.3%	12.0%	8.0%	10.3%	10.0%	10.0%	10.2%
Gross Profit	248.0	72.1	68.1	67.7	79.7	287.6	79.1	76.0	72.9	83.3	311.3	80.2	77.8	77.1	87.7	322.8	360.6
<i>Margin</i>	35.4%	37.5%	37.4%	39.0%	37.5%	37.8%	38.5%	37.3%	37.7%	36.8%	37.6%	36.2%	36.1%	36.7%	35.8%	36.2%	36.5%
<i>% Increase</i>	19.6%	28.6%	13.9%	10.6%	12.3%	16.0%	9.7%	11.7%	7.7%	4.5%	8.2%	1.5%	2.3%	5.8%	5.3%	3.7%	11.7%
SG&A	182.7	53.8	55.4	56.2	59.5	225.0	59.2	62.1	61.9	62.1	245.3	60.4	64.0	65.6	67.1	257.0	286.8
<i>As % Sales</i>	26.1%	28.0%	30.4%	32.4%	28.0%	29.6%	28.8%	30.5%	32.0%	27.4%	29.6%	27.2%	29.7%	31.2%	27.4%	28.8%	29.0%
<i>% Increase</i>	19.5%	35.5%	23.3%	19.2%	17.0%	23.1%	10.0%	12.1%	10.2%	4.3%	9.0%	1.9%	3.0%	5.9%	8.1%	4.8%	11.6%
Provision for bad debt	1.8	0.0	0.4	0.5	0.5	1.5	0.6	0.3	0.6	0.4	1.9	0.3	0.3	0.3	0.3	1.2	1.2
<i>As % Sales</i>	0.3%	0.0%	0.2%	0.3%	0.2%	0.2%	0.3%	0.2%	0.3%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
<i>% Increase</i>	-67.8%	-96.3%	NA	58.9%	9.8%	-18.8%	NA	-10.8%	10.6%	-19.1%	29.3%	-53.8%	-13.8%	-48.5%	-28.2%	-39.3%	3.5%
Operating Profit	63.5	18.2	12.2	11.0	19.7	61.1	19.3	13.6	10.4	20.8	64.0	19.6	13.5	11.2	20.3	64.6	72.7
<i>Margin</i>	9.0%	9.5%	6.7%	6.3%	9.3%	8.0%	9.4%	6.7%	5.4%	9.2%	7.7%	8.8%	6.3%	5.4%	8.3%	7.2%	7.4%
<i>% Increase</i>	29.9%	20.3%	-18.0%	-20.0%	0.2%	-3.7%	6.0%	10.7%	-5.4%	5.6%	4.8%	1.6%	-0.5%	8.1%	-2.5%	0.9%	12.5%
Interest Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Income	-0.5	0.2	0.9	0.2	0.2	1.4	1.1	0.3	0.1	-0.1	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Pretax Profit	63.0	18.4	13.2	11.2	19.9	62.6	20.3	13.9	10.6	20.7	65.5	19.6	13.5	11.2	20.3	64.6	72.7
<i>Margin</i>	9.0%	9.6%	7.2%	6.4%	9.3%	8.2%	9.9%	6.8%	5.5%	9.2%	7.9%	8.9%	6.3%	5.4%	8.3%	7.2%	7.4%
<i>% Increase</i>	35.5%	24.6%	-11.4%	-18.5%	0.9%	-0.7%	10.6%	5.4%	-5.5%	4.4%	4.7%	-3.6%	-2.7%	6.6%	-2.2%	-1.3%	12.4%
Taxes(benefit)	22.2	6.5	4.6	4.0	7.2	22.3	7.4	4.3	3.7	7.4	22.8	7.0	4.9	4.0	7.3	23.2	26.2
<i>Rate</i>	35.2%	35.1%	35.0%	35.9%	36.2%	35.6%	36.4%	31.0%	35.4%	35.6%	34.8%	35.6%	36.0%	36.0%	36.0%	35.9%	36.0%
<i>Less Preferred Div.</i>																	
Net Income--Oper.	40.8	11.9	8.5	7.2	12.7	40.3	12.9	9.6	6.8	13.4	42.7	12.6	8.6	7.2	13.0	41.4	46.5
<i>Margin</i>	5.8%	6.2%	4.7%	4.1%	6.0%	5.3%	6.3%	4.7%	3.5%	5.9%	5.2%	5.7%	4.0%	3.4%	5.3%	4.6%	4.7%
<i>% Increase</i>	35.1%	24.7%	-10.9%	-19.2%	-1.2%	-1.3%	8.3%	12.0%	-4.7%	5.5%	5.9%	-2.4%	-9.8%	5.5%	-2.9%	-2.9%	12.2%
EPS--Operations	1.69	0.49	0.35	0.30	0.52	1.66	0.54	0.40	0.28	0.58	1.80	0.56	0.38	0.32	0.57	1.83	2.06
<i>% Increase</i>	32.6%	21.7%	-12.1%	-18.9%	-1.3%	-1.7%	9.8%	13.3%	-4.7%	12.7%	8.7%	4.4%	-4.0%	12.8%	-1.2%	1.7%	12.2%
Shares Out. Basic	23.4	23.6	23.7	23.7	23.7	23.7	23.6	23.5	23.7	22.7	23.2	22.4	22.4	22.4	22.4	22.4	22.4
Shares Out. Diluted	24.2	24.4	24.3	24.2	24.5	24.3	24.1	24.1	24.2	23.0	23.7	22.6	22.6	22.6	22.6	22.6	22.6

Source: Company reports and Morgan Joseph estimates

Required Disclosures



I, Jeffrey Blaeser, the author of this research report, certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers, and no part of my compensation was, is, or will be directly or indirectly tied to the specific recommendations or views contained in this research report.

Research analyst compensation is dependent, in part, upon investment banking revenues received by Morgan Joseph & Co. Inc.

Morgan Joseph & Co. Inc. intends to seek or expects to receive compensation for investment banking services from the subject company within the next three months.

Investment Banking Services/Past 12 Mos.		
Rating	Percent	Percent
BUY [B]	55.68	36.73
HOLD [H]	43.18	28.95
SELL [S]	1.14	0.00

- Meaning of Ratings
- A) Buy means reasonable outperformance relative to the market over 12-18 months.
 - B) Hold means market-type risk adjusted performance; potential source of funds.
 - C) Sell means expected to underperform the market.

Other Disclosures

The information contained herein is based upon sources believed to be reliable but is not guaranteed by us and is not considered to be all inclusive. It is not to be construed as an offer or the solicitation of an offer to sell or buy the securities mentioned herein. Morgan Joseph & Co. Inc., its affiliates, shareholders, officers, staff, and/or members of their families, may have a position in the securities mentioned herein, and, before or after your receipt of this report, may make or recommend purchases and/or sales for their own accounts or for the accounts of other customers of the Firm from time to time in the open market or otherwise. Opinions expressed are our present opinions only and are subject to change without notice. Morgan Joseph & Co. Inc. is under no obligation to provide updates to the opinions or information provided herein. Additional information is available upon request.

Morgan Joseph & Co. Inc.

600 Fifth Avenue, 19th Fl

New York, NY 10020

Tel. 212.218.3700

Fax. 212.218.3789

Sales and Trading

New York

Tel. 212.218.3767

Fax. 212.218.3705

Pittsford

Tel. 877.237.6542

Fax. 585.899.6029