CEO CFO

Conn's, Inc.
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The Most Powerful Name In Corporate News and Information

Given their Competitive Advantages with Product Financing in the Appliance and Television Areas, and the Expansion into the Furniture and Mattress Area; Conn's Inc. is Well Positioned for Future Growth

Retail
Appliance, Electronic
& Furniture Stores
(CONN-NASDAQ)

Michael J. Poppe
Executive Vice President and CFO

BIO:
Conn's board of directors appointed Michael J. Poppe as an Executive Vice President effective June 1, 2010, and as its Chief Financial Officer effective February 1, 2008. Mr. Poppe served as Controller and Assistant Chief Financial Officer and Assistant Treasurer since he joined the Company in September 2004 until February 1, 2008. In the 14 years prior to his joining the Company, Mr. Poppe served in various accounting and finance management positions in public accounting at Arthur Andersen LLP and in automotive retail companies, most recently as Vice President and Corporate Controller of Group 1 Automotive, Inc. Mr. Poppe spent from January 1997 until May 2004 at Group 1, a New York Stock Exchange listed, Fortune 500 retail company, and was a member of the founding management team. Mr. Poppe is a certified public accountant and obtained his B.B.A in accounting and finance from Texas A&M University.

Company Profile:
Conn's, Inc. is a specialty retailer currently operating 71 retail locations in Texas, Louisiana and Oklahoma: with 23 stores in the Houston area, 18 in the Dallas/Fort Worth Metroplex, eight in San Antonio, three in Austin, five in Southeast Texas, one in Corpus Christi, four in South Texas, six in Louisiana and three in Oklahoma. It sells home appliances, including refrigerators, freezers, washers, dryers, dishwashers and ranges, and a variety of consumer electronics, including LCD, LED, 3-D, plasma and DLP televisions, camcorders, digital cameras, computers and computer accessories, Blu-ray and DVD players, video game equipment, portable audio, MP3 players, GPS devices and home theater products. The Company also sells lawn and garden products, furniture and mattresses, and continues to introduce additional product categories for the home to help respond to its customers' product needs and to increase same store sales. Unlike many of its competitors, the Company provides flexible in-house credit options for its customers. In the last three years, the Company financed, on average, approximately 60% of its retail sales.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Poppe, what attracted you personally to Conn's?
Mr. Poppe: What brought me here was that the company has a unique operating model. We are a retailer of TV and appliance products, but what separates us from our competitors in the market is that we offer a consumer financing option to our customers that is really not offered anywhere else. It gives us a unique ability to attract our core customer and create a loyalty relationship. Therefore, given that we do not have many direct competitors for the way we go to market, we have a huge opportunity over time to grow this business and continue to capture market share.

CEOCFO: Would you tell us please about your Conn's stores and your typical customers?
Mr. Poppe: Our core customer is generally a blue collar worker with median household income in the $35-$40 thousand a year range. There is generally very diverse ethnicity in our customer group. Being in Texas it is highly Hispanic and they generally have a need to have credit to be able to make the purchases they want so that they can buy the better name, better branded, better quality product. They want to be able to buy the Samsung, LG, Sony TVs, and Whirlpool, Samsung, and LG appliances that everyone else does. They want to get the better featured product because these are items we all have in our homes for years and years. Therefore, our flexible financing programs afford them the ability to manage their personal finances and still obtain these better products. Our typical customer has a credit score averaging around 600 and our customers are very monthly cash flow budget minded. What attracts them to us is our ability to help them manage this cash flow and still acquire the products they want.

Our stores are primarily in Houston, Dallas and San Antonio; we have six stores in Louisiana and in the golden triangle, which is Beaumont, Port Arthur, Orange, and southeast Texas. In the last few years we opened three stores in Oklahoma. Generally, our best performing stores are located where there is a high concentration of our core customer. Generally, our stores are in older neighborhoods where the houses have been around for a while so, from an appliance standpoint there is a high need for replacement appliance purchases. That helps fuel the appliance business. These are urban areas and we also have some great rural stores that will have a two to three county pull in places like Orange, Texas and Conroe, Texas north of Houston that will draw from a much larger geographic region. However, these are areas where the customers do not have as many alternatives that allow them to acquire these products with financing.

Our typical store is 20-25 thousand square feet. It will have one of the better selections of appliance and TV products you will find. We match very well with the big retailers on the electronics side, such as Best Buy and are very similar from a TV line-up standpoint, and are very competitive there. Our appliance will not be quite what Sears has, but we will be better than the typical Home Depot or Lowes. In the last five or six years we entered the furniture business and have focused our core product set around the major product purchases you make for your home. So, we now offer appliances, TV's and furniture and we also sell lawn and garden equipment.

We got into furniture five or six years ago and experimented with recliners and a sofa/loveseat combination. It went really well. Our customers really appreciated that opportunity and our unique ability to offer the products that we do with our financing. We stock everything we sell, so you can pick it up today or have next-day delivery, which, especially in the furniture business, is very unique. This is because most furniture retailers require you to order it and it can be weeks before you get the product. However, with us, the vast majority of our products can be picked up today or we will have that product delivered to your home the next day.

CEOCFO: Do your customers tend to know what they want when they come in?

Mr. Poppe: Absolutely! We are destination store, so when customers show up at our store they are there to buy. They may not know exactly what brand, model or features they want, but they are in there because they need to make an appliance purchase, or they need to make a TV purchase. We do not have a significant amount of our product line-up dedicated to small customer traffic driving items. The vast majority of our products are for the customer that is in the market filling a specific need, so there is not a lot of general traffic in our stores just browsing.

The three biggest questions we have had over the last year and are continuing to address is from a balance sheet standpoint, having the capital necessary to fund our credit portfolio and growth of the business. However, we find ourselves in the strongest capital and liquidity position we have seen, in a number of years. - Michael J. Poppe

CEOCFO: What is your level of service to help customers make informed choices?

Mr. Poppe: We are very focused on providing a trained, knowledgeable salesperson for that customer, because typically while many customers do research on the internet, these are high dollar purchases and they are purchases of products that they are going to have for typically years to come. While they may come in with a general idea of what they want and, certainly, there are customers that know exactly what they want, many of our customers may or may not have purchased a TV in three, four, or five years. Therefore, they need to be educated about the fact that we have plasma, LED and DLP technology, as well as 3-D TV, and internet protocol. When you get into appliances and refrigerators, there are not just top-mount freezers; there are top-mount and bottom-mount, side-by-side and French door and four door freezers. People want to be sure, especially with appliances, where you are talking about ten to twelve year lifespan, that they know what is out there, what features and benefits are available. Therefore, an educated, knowledgeable professional sales force is an important part of what we do to help the customer make the right buying decision. Given our credit offering it is also very important to us to help them make the right decision, because it impacts their thought process around their monthly payments. We want to make sure they are happy with the transaction, so that they continue to make their payments as agreed. In addition, we want to make sure that as they use that product everyday for the next 3,4,5,10,12 years, they are happy with the experience and they remember the positive experience at Conn's, which will put them in a position to recommend us to friends and family and come back in for their next purchase. Therefore, the trained professional sales person providing that great experience to the customer is a very important part of the process for us.

CEOCFO: Have you found the current economic scenario has caused more people to look for the financing or are people just not buying?

Mr. Poppe: I think it is both. We see a high correlation to purchasing based on the price of gas, especially in the markets we are in where virtually everybody drives. It is a significant impact on the household cash flow when you have gas prices in the \$3.50 - \$4.00 range. That impacts purchasing behavior by customers. There are customers who historically may not have been as interested in using our financing option because they had ready access to other credit options through credit cards. However, over the last four or five years as we went through the recession and financial crisis, consumer credit has tightened and as credit quality has generally declined, our credit option has become a more enticing option for more customers. As a result, we have actually seen the average credit quality and credit score to the customer we are financing, increase. Part of that has to do with how we have changed our underwriting guidelines, but part of that has to do with the number of customers we are seeing with better scores coming into our stores.

CEOCFO: Do you do the financing yourself or is that in conjunction with a third party?
Mr. Poppe: We do it all ourselves; we have our own credit operation. We do all of the underwriting independent of the sales organization and we do all of the collection activity. We have a fully functioning credit collection operation and as of the end of April, the credit portfolio is about $625 million with about 475,000 customer accounts.

CEOCFO: Are there any products or any types of categories that you would like to add to what Conn's is offering now?
Mr. Poppe: Our focus right now, given our recent entry of the furniture and mattress business is really on expanding and growing that business. A typical furniture store will have tens of thousands of square feet of space allocated to display that product and until very recently our average square footage allocated to furniture was 6 to 8,000 square feet. Therefore, it was relatively small, not giving room for a real significant display. However, given our competitive advantages around distribution of the product and financing and our sales force, and the fact that we have a core customer who comes into us to buy durable products for their home, we think there is still a huge opportunity in furniture. Over Memorial Day weekend we made our first major expansion of one of our stores in San Antonio and now have just over 20,000 square foot furniture showroom with the regular store product and we have seen really good gains in furniture sales. We now have our top two stores in the company slated to have another ten to twenty thousand square feet of furniture display space added. On top of that, while it is not a huge amount of square footage; in another fifteen stores we are adding about 3,000 square feet of display space by removing some of the smaller lower margin appliance and electronics items, clearing that floor space and expanding our furniture presentation. It is not so much new product lines, but expanding our abilities and offering in furniture and mattress area.

CEOCFO: How do you handle some of the challenges in maintaining the huge inventory?
Mr. Poppe: While we do match up very well from a new presentation in TVs and appliances, we still consider ourselves to have more of a narrow and deep focus. That is making sure our inventory is concentrated in the fast-moving, most desired products by the customers so that we continue to have a high turnover. We turn our inventory a little more than six times a year, so typically a little less than sixty days supply of inventory at any given time. We have our inventory spread amongst about 75 stores today. We have four primary distribution centers where the product is concentrated, allowing us to maintain a fairly quick turn on our inventory, we manage through skus that are moving slowly by concentrating them in specific markets. However, we still want to be able to supply the stores and various markets with products they need for pick up and delivery daily through our strong distribution operations.

CEOCFO: What is the financial picture like at Conn's today?
Mr. Poppe: The three biggest questions we have had over the last year and are continuing to address is from a balance sheet standpoint, having the capital necessary to fund our credit portfolio and growth of the business. However, we find ourselves in the strongest capital and liquidity position we have seen, in a number of years. The balance sheet is in great position; we are continuing to see growth in our total borrowing capacity and absolute immediate available liquidity for funding growth of the business. We look to the not too distant future over the next few quarters to also getting a meaningful reduction in our cost of capital as we pay down the second lien term loan that we entered into last year as we refinanced our debt capital structure. Therefore, from a balance sheet standpoint, we are in great shape and from a financing perspective, and as we continue to shrink the credit portfolio and see improving performance in the portfolio, and our liquidity picture will only get better.

As we went through the recession like any credit portfolio and consumer credit provider, we saw deterioration in performance in the portfolio, but it has shown steady improvement over the last few quarters and we expect to continue to see the portfolio improve. As the credit quality of the credits in the portfolio has continued to increase, delinquencies have fallen, so portfolio performance and contribution from our credit business we expect to continue to see improve over the coming quarters. The one challenge that remains as a retailer is that the economic conditions are still a challenge, especially for our core customer in that $40,000 median household income. Those are people who generally need credit to make these more significant purchases. With the price inflation in gas and in food, they are more challenged to make these bigger ticket purchases and we have seen the TV business, not just ours but nationally, has been challenged here recently. Until the economy becomes more robust and incomes get stronger relative to the price inflation we have seen, the retail business will continue to be a challenge. However, we have done a good job the last couple of quarters of really refocusing the business on maximizing margin and profitability in the retail business. Therefore, the outlook for improving our profitability over the last couple of years looks good for the next couple of years. We are positive about our ability to hold market share in a challenging retail environment if not grow market share, and improve our profit position. We look forward to in the next year or so to getting back to a mode of opening stores to continue the expansion that the company has been on over the last decade and continue to grow the business.

CEOCFO: Is the investment community paying attention to Conn's?
Mr. Poppe: Given the challenges we have had over the last couple of years, the investment community has had a bit of a wait and see approach. They want to see if we can maintain the improved performance that we have achieved over the last couple of

quarters and if we continue on this path of improvement, we will get more attention.

CEOCFO: In closing, why should potential investors pay attention to Conn's?

Mr. Poppe: While we may not be seeing the attention in our stock price, we have a fair number of new investors that are starting to get involved in learning the story. What is driving them to get interested is that we do have a unique business model and our core customer provides us the niche that we do not have a lot of competition for. With our improved financial position and our improving credit portfolio performance and our valuation basically being half of book value, we see a lot of upside and the potential for the business to grow the earnings and for the performance of the business over the coming years. The other thing that has triggered some interest in our company is there has been some decent insider buying by senior executives in the company, because we do believe that we have a unique business model that can compete against anybody. The company has been around over hundred years and we believe we are poised and in a position to return to the growth path we were on a few years ago.

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