

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Quarterly Report under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

June 30, 1996

0-12385

For Quarter Ended

Commission File No.

AARON RENTS, INC.

(Exact name of registrant as specified in its charter)

Georgia

58-0687630

(State or other jurisdiction of
incorporation or organization)

(I. R. S. Employer
Identification No.)

309 E. Paces Ferry Road, N.E.
Atlanta, Georgia

30305-2377

(Address of principal executive offices)

(Zip Code)

(404) 231-0011

(Registrant's telephone number, including area code)

Not Applicable

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

Indicate by check mark whether 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 X

No

Indicate the number of shares outstanding of each of the issuer's classes
of common stock, as of the latest
practicable date.

Title of Each Class	Shares Outstanding as of August 13, 1996
Class A Common Stock, \$.50 Par Value	3,786,906
Common Stock, \$.50 Par Value	15,240,046

Part 1 - FINANCIAL INFORMATION
Item 1 - Financial Statements
AARON RENTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(unaudited)
June 30, December 31,
1996 1995

(in thousands)

ASSETS:

Cash	\$ 96	\$ 98
Accounts Receivable	9,405	8,136
Rental Merchandise	196,713	176,751
Less: Accumulated Depreciation	(57,483)	(54,440)
	-----	-----
	139,230	122,311
Property, Plant and Equipment, Net	27,586	23,492
Prepaid Expenses and Other Assets	3,930	4,608
	-----	-----
Total Assets	\$ 180,247	\$ 158,645
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Accounts Payable and Accrued Expenses	\$ 26,123	\$ 19,304
Dividends Payable	382	365
Deferred Income Taxes Payable	4,450	3,781
Customer Deposits and Advance Payments	7,068	6,622
Bank Debt	45,134	37,260
Other Debt	954	219
	-----	-----
Total Liabilities	84,111	67,551
Shareholders' Equity:		
Common Stock, Class A, Par Value \$.50 Per Share-Authorized 25,000,000 shares: 5,361,761 Shares Issued	2,681	2,681
Common Stock, Par Value \$.50 Per Share-Authorized 25,000,000 shares: 16,170,987 Shares Issued	8,085	3,318
Additional Paid in Capital	15,414	15,370
Retained Earnings	89,289	86,365
	-----	-----
	115,469	107,734
Less: Treasury Shares at Cost, Class A Common Stock, 1,574,855 Shares at June 30, 1996 and 1,427,588 Shares at December 31, 1995		
	(14,152)	(11,451)
Common Stock, 930,941 Shares at June 30, 1996 and 932,441 Shares at December 31, 1995		
	(5,181)	(5,189)
	-----	-----
Total Shareholders' Equity	96,136	91,094
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 180,247	\$ 158,645
	=====	=====

See Notes to Consolidated Financial Statements

AARON RENTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

Three Months Ended		Six Months Ended	
-----		-----	
June 30,		June 30,	
-----		-----	
1996	1995	1996	1995
-----		-----	

(in thousands, except per share amounts)

REVENUES:				
Rentals and Fees	\$ 51,976	\$45,690	\$101,457	\$ 90,903
Sales	14,648	12,858	29,155	26,638
Other	986	587	1,691	1,145
	-----	-----	-----	-----
	67,610	59,135	132,303	118,686

COSTS AND EXPENSES:				
Cost of Sales	10,708	9,114	21,231	19,038
Operating Expenses	33,812	30,024	65,882	59,588
Depreciation of Rental Merchandise	15,936	13,900	30,528	27,696
Interest	779	750	1,496	1,598
	61,235	53,788	119,137	107,920
EARNINGS BEFORE TAXES				
	6,375	5,347	13,166	10,766
INCOME TAXES				
	2,461	2,032	5,093	4,113
NET EARNINGS				
	\$ 3,914	\$ 3,315	\$ 8,073	\$ 6,653
EARNINGS PER SHARE				
	\$.20	\$.17	\$.41	\$.33
CASH DIVIDENDS DECLARED PER SHARE				
Class A Common Stock	\$.02	\$.01	\$.02	\$.01
Class B Common Stock	\$.02	\$.025	\$.02	\$.025
WEIGHTED AVERAGE SHARES OUTSTANDING				
	20,027	20,074	19,931	19,969

Prior year earnings per share, dividends and weighted average shares outstanding have been restated to reflect the June, 1996 100% stock dividend.

See Notes to Consolidated Financial Statements

AARON RENTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS
OF CASH FLOWS
(Unaudited)

	Six Months Ended	
	1996	1995
	June 30,	
	-----	-----
	(in thousands)	
OPERATING ACTIVITIES		
Net Earnings	\$ 8,073	\$ 6,653
Depreciation and Amortization	33,451	30,804
Deferred Taxes	669	(236)
Change in Accounts Payable and Accrued Expenses	6,068	2,560
Change in Accounts Receivable	(1,269)	1,452
Other Changes, Net	1,141	1,246
Cash Provided by Operating Activities	48,133	42,479
INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(7,319)	(5,480)
Book Value of Property Retired or Sold	506	2,159
Additions to Rental Equipment	(65,894)	(50,494)
Book Value of Rental Equipment Sold	20,721	20,876
Contracts and Other Assets Acquired	(1,744)	(328)
Cash Used by Investing Activities	(53,730)	(33,267)
FINANCING ACTIVITIES		
Proceeds from Revolving Credit Agreement	41,429	36,609

Repayments on Revolving Credit Agreement	(33,555)	(43,842)
Increase of Other Debt	735	442
Dividends Paid	(365)	(362)
Acquisition of Treasury Stock	(2,785)	(3,312)
Issuance of Stock Under Stock Option Plan	136	1,252
	-----	-----
Cash provided (used) by financing activities	5,595	(9,213)
	-----	-----
DECREASE IN CASH	(2)	(1)
Cash at Beginning of Year	98	92
Cash at Beginning of Period	\$ 96	\$ 91
	=====	=====

See Notes to Consolidated Financial Statements

AARON RENTS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Principles of Consolidation:

The consolidated financial statements include the accounts of Aaron Rents, Inc. ("the Company") and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Interim Financial Statements:

The Consolidated Balance Sheet as of June 30, 1996, and the Consolidated Statements of Earnings and Cash Flows for the six months ended June 30, 1996 and 1995, have been prepared without audit. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations and cash flows at June 30, 1996 and for all periods presented have been made.

During 1995, the Company changed its fiscal year end from March 31 to December 31. Interim financial statements for the comparable periods during 1995 of the fiscal year ending December 31, 1996 have been presented.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the nine months ended December 31, 1995. The results of operations for the period ended June 30, 1996, are not necessarily indicative of the operating results for the full year.

Accounting Changes in Depreciation:

At December 31, 1995, approximately 20% of the Aaron's Rental Purchase Division's merchandise on rent was fully depreciated. On January 1, 1996, the Company prospectively changed its depreciation method on rental purchase merchandise acquired after December 31, 1995 from generally 14 months straight-line with a 5% salvage value to a method that depreciates the merchandise over the contract period, generally 12 months when on rent and 36 months when not on rent to a 0% salvage value. This new method is similar to a method referred to as the income forecasting method in the rental purchase industry. The Company adopted the new method because management believes that it provides a more systematic and rational allocation of the cost of rental purchase merchandise over its useful life. The effect of the change in the depreciation method on merchandise purchased after December 31, 1995 was to decrease net income by approximately \$470,000 (\$.02 per share) and \$770,000 (\$.04 per share) for the quarter and six months ended June 30, 1996, respectively. In addition, based on an analysis of the average composite life of the division's rental purchase merchandise on rent or on hand at December

31, 1995, the Company extended the depreciable lives of that merchandise from generally 14 months to 18 months, and made other refinements to depreciation rates on rental and rental purchase merchandise. The effect of such change in depreciable lives and other refinements was to increase net income by approximately \$140,000 (\$.01 per share) and \$540,000 (\$.03 per share) for the quarter and six months ended June 30, 1996, respectively. It is not expected that such change in estimates will have a significant effect on net income for the year ending December 31, 1996.

PART I - FINANCIAL INFORMATION

Item 2. Managements Discussion and Analysis of Consolidated Financial Condition and Results of Operations

RESULTS OF OPERATIONS:

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SECOND QUARTER ENDED JUNE 30, 1996 COMPARED TO JUNE 30, 1995:

Total revenues for the second quarter of 1996 increased \$8.5 million (14.3%) to \$67.6 million compared to \$59.1 million for the same period a year ago. This increase in revenues was primarily due to a \$6.3 million (13.8%) increase in rentals and fees revenues. Of this increase in rental revenues, \$4.3 million was attributable to Aaron's Rental Purchase stores, which increased 19.8% to \$25.7 million compared to \$21.5 million last year. Rental revenues from the Company's rent-to-rent operations increased \$2.0 million (8.4%) during the same period.

Revenues from sales increased \$1.8 million (13.9%) to \$14.6 million from \$12.9 million for the same period last year. This increase was due to an increase in sales for the rental purchase division of \$1.5 million and an increase in sales of \$300,000 for the rent-to-rent division

Other revenues increased \$399,000 (68.0%) to \$986,000 compared to \$587,000 last year. Included in other revenues is an increase of \$324,000 in franchise and royalty fee income due to a net increase of 7 franchise stores as well as older franchise stores gaining in revenue. This income for the current quarter was \$624,000 compared with \$300,000 for the same period last year.

Cost of sales increased \$1.6 million (17.5%) to \$10.7 million compared to \$9.1 million and as a percentage of sales, increased to 73.1% from 70.9% due to increased sales of product to rental purchase franchisees, which are typically at lower margins than sales to retail customers.

Operating expenses increased \$3.8 million (12.6%) to \$33.8 million from \$30.0 million. As a percentage of total revenues, operating expenses decreased to 50.0% from 50.8% for the same period a year ago.

Depreciation of rental merchandise increased \$2.0 million (14.7%) to \$15.9 million and, as a percentage of total rentals and fees, increased to 30.7% verses 30.4% for the same period in 1995.

Interest expense increased \$29,000 (3.9%) to \$779,000 compared to \$750,000. As a percentage of total revenues, interest decreased to 1.2% from 1.3% due to the stability of interest rates during the quarter.

Income tax expense increased \$429,000 (21.1%) to \$2.5 million compared to \$2.0 million, and the Company's effective tax rate was 38.6% for the quarter versus 38.0% for the same period in 1995.

As a result, net earnings increased \$599,000 (18.1%) to \$3.9 million in the second quarter of 1996 compared to \$3.3 million for the same period in 1995. As a percentage of total revenues, net earnings increased to 5.8% in the current quarter as compared to 5.6% for the same period last year.

The weighted average number of shares outstanding during the second quarter of fiscal year 1996 was 20,027,000 compared to 20,074,000 for the same period last year. The prior year weighted average shares outstanding has been restated to give effect to the 100% stock dividend declared in the second quarter of 1996.

SIX MONTHS ENDED JUNE 30, 1996 COMPARED TO SIX MONTHS ENDED JUNE 30, 1995:

Total revenues for the first six months of 1996 increased \$13.6 million (11.5%) to \$132.3 million compared to \$118.7 million for the same period a year ago. This increase in revenues was primarily due to a \$10.6 million (11.6%) increase in rentals and fees revenues. Of this increase in rental revenues, \$7.7 million was attributable to Aaron's Rental Purchase stores, which increased 18.5% to \$49.3 million compared to \$41.6 million last year. Rental revenues from the Company's rent-to-rent operations increased \$2.9 million (5.7%) during the same period.

Revenues from sales increased \$2.5 million (9.4%) to \$29.2 million from \$26.6 million for the same period last year. This increase was due to an increase in sales for the rental purchase division of \$3.1 million offset by a \$569,000 decrease for the rent-to-rent division due to the closure of two rent-to-rent clearance centers and a realignment of Mactavish Furniture away from outside sales to the supply of furniture internally.

Other revenues increased \$546,000 (47.7%) to \$1.7 million compared to \$1.1 million last year. Included in other revenues is an increase of \$469,000 in franchise and royalty fee income due to a net increase of 17 franchise stores as well as older franchise stores gaining in revenue. This income for this six month period was \$1.0 million compared with \$547,000 for the same period last year.

Cost of sales increased \$2.2 million (11.5%) to \$21.2 million compared to \$19.0 million and as a percentage of sales, increased to 72.8% from 71.5% due to increased sales of product to rental purchase franchisees, which are typically at lower margins than sales to retail customers.

Operating expenses increased \$6.3 million (10.6%) to \$65.9 million from \$59.6 million. As a percentage of total revenues, operating expenses decreased to 49.8% from 50.2% for the same period a year ago.

Depreciation of rental merchandise increased \$2.8 million (10.2%) to \$30.5 million and, as a percentage of total rentals and fees, decreased to 30.1% from 30.5% for the same period last year.

Interest expense decreased \$102,000 (6.4%) to \$1.5 million compared to \$1.6 million. As a percentage of total revenues, interest decreased to 1.1% from 1.3% due to a lower average revolving loan balance and stability of interest rates during the quarter.

Income tax expense increased \$980,000 (23.8%) to \$5.1 million compared to \$4.1 million, and the Company's effective tax rate was 38.7% for the current six month period versus 38.2% for the same period in 1995.

As a result, net earnings increased \$1.4 million (21.3%) to \$8.1 million in first six months of 1996 compared to \$6.7 million for the same period in 1995. As a percentage of total revenues, net earnings increased to 6.1% in the first six months as compared to 5.6% for the same period last year.

The weighted average number of shares outstanding during the first six months of fiscal year 1996 was 19,931,000 compared to 19,969,000 for the same period last year. This is after restating the prior year weighted shares outstanding to give effect to the 100% stock dividend declared in the second quarter of 1996.

LIQUIDITY AND CAPITAL RESOURCES:

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On May 7, 1996, Aaron Rents Class B Common stock was renamed Common Stock with the NASDAQ trading symbol changing from ARONB to ARON. On the same date, a 100% stock dividend was declared on both the Class A Common Stock (ARONA) as well as the newly renamed Common Stock. The shareholders of record at the close of business on May 20, 1996, received one share of Common Stock for each share of Common Stock and Class A Common Stock held. The aforementioned stock dividend

was distributed on June 3, 1996.

On May 7, 1996, a cash dividend of \$.02 per share was declared on both Common Stock and Class A Common Stock, respectively. The stock dividend was payable July 8, 1996 to shareholders of record as of June 3, 1996 based on the increased number of shares mentioned above.

During the first quarter of fiscal 1996, the Company paid a semi-annual dividend that was declared in December, 1995 of \$.02 per share on Class A Common Stock and \$.05 per share on Class B Common Stock (now renamed Common Stock).

Management believes its expected cash flow from operations, proceeds from the sale of rental return merchandise, bank borrowings, and vendor credit are adequate to supply short-term capital needs, and that it has the ability to obtain additional long-term capital if needed.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K:

(a) The following exhibits are furnished herewith:

Exhibit Number -----	Description of Exhibit -----	Page No. -----
11	Computation of Earnings Per Share	
27	Financial Data Schedule	

(b) No reports on Form 8-K were filed by the Registrant during the three months ended June 30, 1996

SIGNATURES

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 thereunto duly authorized.

AARON RENTS, INC.
(Registrant)

Date - August 13, 1996

/s/ Gilbert L. Danielson

Gilbert L. Danielson
Vice President, Finance
Chief Financial Officer

Date - August 13, 1996

/s/ Robert P. Sinclair, Jr.

Robert P. Sinclair, Jr.
Controller

CAPTION>

EXHIBIT 11
COMPUTATION OF EARNINGS PER SHARE

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	1996	1995	1996	1995
	(in thousands, except per share data)			
Primary:				
Net Income	\$ 3,914	\$ 3,315	\$ 8,073	\$ 6,653
Weighted average number of common shares outstanding	19,061	19,570	19,110	19,501
Add:				
Dilutive effect of outstanding options, as determined by the application of the treasury stock method using the average market price of the Company's common stock	966	503	821	468
Weighted average number of common and common equivalent shares	20,027	20,074	19,931	19,969
Primary earnings per share	\$.20	\$.17	.41	.33
Fully diluted:				
Weighted average number of common and common equivalent shares	20,027	20,074	19,931	19,969
Add:				
Additional dilutive effect of outstanding options, as determined by the application of the treasury stock method using the quarter end market price of the Company's common stock	0	24	0	60
Weighted average number of common shares fully diluted	20,027	20,098	19,931	20,029
Fully diluted earnings per share *	\$.20	\$.17	.41	.33

*Not presented in Financial Statements since dilutive effect is less than 3%.

**Prior year earnings per share and weighted average shares have been restated to reflect the June, 1996 2 for 1

stock dividend.

<ARTICLE> 5

<LEGEND>THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM AARON RENT'S QUARTERLY REPORT TO STOCKHOLDERS FOR THE QUARTERS ENDED JUNE 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<F1> The allowance for doubtful accounts is netted against total accounts receivable in the Accounts Receivable balance.

<F2> Rental merchandise has been classified as inventory for purposes of this schedule. Rental merchandise has been shown net of 57,483 accumulated depreciation.

<F3> The financial statements are presented with an unclassified balance sheet.

<F4> PP&E has been shown net of accumulated depreciation.