

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

September 30, 1995

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 EAST 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 November 7, 1995
Class A Common Stock, \$.50 Par Value	4,008,263
Class B Common Stock, \$.50 Par Value	5,703,730

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

(UNAUDITED)

	SEPT. 30, 1995	MARCH 31, 1995
	-----	-----
	(in thousands)	
ASSETS:		
Cash	\$ 96	\$ 95
Accounts Receivable	8,570	8,391
Rental Merchandise	173,827	172,741
Less: Accumulated Depreciation	(53,343)	(51,385)
	-----	-----
Property, Plant and Equipment, Net	120,484	121,356
Prepaid Expenses and Other Assets	23,131	24,181
	3,458	3,504
	-----	-----
Total Assets	\$155,739	\$157,527
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Accounts Payable and Accrued Expenses	\$ 18,017	\$ 19,062
Deferred Income Taxes Payable	3,038	4,126
Customer Deposits and Advance Payments	6,442	6,229
Bank Debt	38,375	42,172
Other Debt	439	987
	-----	-----
	66,311	72,576
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, Class B, Par Value \$.50 Per Share-Authorized 25,000,000 shares: 6,636,761 Shares Issued	3,318	3,318
Additional Paid-In Capital	15,363	15,314
Retained Earnings	83,369	77,216
	-----	-----
	104,731	98,529
Less: Treasury Shares at Cost, Class A Common Stock, 1,353,498 Shares at September 30, 1995 and 1,234,748 Shares at March 31, 1995	(10,110)	(8,324)
Class B Common Stock, 933,031 Shares at September 30, 1995 and 944,031 Shares at March 31, 1995	(5,193)	(5,254)
	-----	-----
	89,428	84,951
	-----	-----
Total Liabilities and Shareholders' Equity	\$155,739	\$157,527
	=====	=====

See Notes to Consolidated Financial Statements

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

THREE MONTHS ENDED	SIX MONTHS ENDED
-----	-----
SEPTEMBER 30,	SEPTEMBER 30,
-----	-----

	1995	1994	1995	1994
	-----		-----	
	(in thousands, except per share amounts)			
REVENUES:				
Rentals and Fees	\$ 45,361	\$ 42,639	\$ 91,051	\$ 84,347
Sales	13,132	14,133	25,990	27,592
Other	519	463	1,106	891
	-----	-----	-----	-----
	59,012	57,235	118,147	112,830
	-----	-----	-----	-----
COSTS AND EXPENSES:				
Cost of Sales	9,440	10,250	18,554	19,942
Operating Expenses	29,664	28,447	59,688	56,677
Depreciation				
of Rental Merchandise	13,926	13,710	27,826	26,430
Interest	830	731	1,580	1,411
	-----	-----	-----	-----
	53,860	53,138	107,648	104,460
	-----	-----	-----	-----
EARNINGS BEFORE TAXES	5,152	4,097	10,499	8,370
INCOME TAXES	1,947	1,590	3,979	3,256
NET EARNINGS	\$ 3,205	\$ 2,507	\$ 6,520	\$ 5,114
	=====	=====	=====	=====
EARNINGS PER SHARE	\$ 0.32	\$ 0.25	\$ 0.65	\$ 0.52
	-----	-----	-----	-----
CASH DIVIDENDS DECLARED PER SHARE				
Class A Common Stock	\$	\$	\$ 0.02	\$ 0.03
	-----	-----	-----	-----
Class B Common Stock	\$	\$	\$ 0.05	\$ 0.04
	-----	-----	-----	-----
WEIGHTED AVERAGE SHARES OUTSTANDING	10,022	10,040	10,028	9,822
	=====	=====	=====	=====

See Notes to Consolidated Financial Statements

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

SIX MONTHS ENDED
SEPTEMBER 30,
1995 1994
----- -----
(in thousands)

OPERATING ACTIVITIES:

Net Income	\$ 6,520	\$ 5,114
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,865	28,851
Decrease in deferred taxes	(1,088)	(821)

Decrease in accounts payable and accrued expenses	(1,045)	(3,853)
Increase in accounts receivable	(179)	(2,479)
Other changes, net	259	1,897
	-----	-----
Cash provided by operations	33,332	28,709
	-----	-----

INVESTING ACTIVITIES:

Additions to property, plant and equipment	(3,973)	(5,919)
Book value of property retired or sold	2,123	295
Additions to rental merchandise	(46,613)	(56,267)
Book value of rental merchandise sold	21,520	20,257
	-----	-----
Cash used by investing activities	(26,943)	(41,634)
	-----	-----

FINANCING ACTIVITIES:

Proceeds from Revolving Credit Agreement	38,102	131,128
Repayments on Revolving Credit Agreement	(41,899)	(131,168)
Decrease in other debt	(548)	(910)
Dividends paid	(367)	(347)
Acquisition of treasury stock	(1,794)	
Sale of common stock		14,140
Issuance of stock under stock option plan	118	81
	-----	-----
Cash (used) provided by financing activities	(6,388)	12,924
	-----	-----

INCREASE (DECREASE) IN CASH	1	(1)
Cash at Beginning of Period	95	86
	-----	-----
Cash at End of Period	\$ 96	\$ 85
	=====	=====

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 Statement:

The Consolidated Balance Sheet as of September 30, 1995, and the Consolidated Statements of Earnings and Cash Flows for the six months ended September 30, 1995 and 1994, 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 September 30, 1995 and for all periods presented have been made.

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 year ended March 31, 1995. The results of operations for the period ended September 30, 1995, are not necessarily indicative of the operating results for the full year.

PART I - FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS:

SECOND QUARTER OF FISCAL YEAR 1996 COMPARED TO SECOND QUARTER OF FISCAL YEAR 1995:

Total revenues for the second quarter of fiscal year 1996 increased \$1.8 million (3.1%) to \$59.0 million from \$57.2 million for the same period a year ago. This increase in revenues is primarily due to a \$2.7 million (6.4%) increase in rentals and fees income. Of this increase in rentals and fees income, \$3.5 million is attributed to Aaron's Rental Purchase stores in which rental revenues increased 19.7% to \$21.3 million in the second quarter of 1996 compared to \$17.8 million for the same quarter a year ago. Rental revenues from the Company's rent-to-rent operations declined \$800,000 (3.4%) during the same period.

Revenues from sales declined \$1.0 million (7.1%) to \$13.1 million compared to \$14.1 million for the same period last year. This decline is due to lower sales of new furniture and sales to furniture distributors. Sales to furniture distributors decreased \$670,000 in the second quarter of fiscal 1996 compared to a year ago.

Other revenues in the second quarter 1996 were \$519,000 compared to \$463,000 a year ago. Included in other revenues is franchise and royalty fee income from franchised operations. This income for the current quarter was \$315,000 compared to \$203,000 for the same period a year ago.

Cost of sales decreased \$810,000 to \$9.4 million compared to \$10.3 million for the second quarter last year, and as a percentage of sales was 71.9% compared to 72.5% a year ago.

Operating expenses increased \$1.2 million (4.3%) to \$29.7 million compared to \$28.4 million a year ago. As a percentage of total revenues, operating expenses were 50.3% in the second quarter of fiscal year 1996 compared to 49.7% for the quarter a year ago.

Depreciation of rental merchandise increased \$216,000 (1.6%) to \$13.9 million from \$13.7 million last year and, as a percentage of total rentals and fees, decreased to 30.7% in the current quarter from 32.2% for the same quarter a year ago. The percentage decline was due to lower depreciation expense compared to rentals and fees at Aaron's Rental Purchase stores.

Interest expense increased \$99,000 (13.5%) to \$830,000 in the second quarter of fiscal year 1996 compared to \$731,000 for the same quarter last year. The increase in interest expense was due to increased borrowing rates in the current quarter.

Income tax expense increased \$357,000 (22.5%) to \$1.9 million compared to \$1.6 million a year ago, and the Company's effective tax rate was 37.8% for the second quarter of fiscal year 1996 compared to 38.8% in the previous year's quarter. The decrease in the effective tax rate is due to lower amounts provided in fiscal year 1996 for permanent differences.

As a result, net earnings increased \$698,000 (27.8%) to \$3.2 million in the second quarter of fiscal year 1996 compared to \$2.5 million a year ago. As a percentage of total revenues, net earnings were 5.4% in the current year quarter compared to 4.4% a year ago.

The weighted average number of shares outstanding during the second quarter of fiscal year 1996 was 10,022,000 compared to 10,040,000 for the same period last year.

SIX MONTHS OF FISCAL YEAR 1996 COMPARED TO SIX MONTHS OF FISCAL YEAR 1995.

Total revenues for the six months of fiscal year 1996 increased \$5.3 million (4.7%) to \$118.1 million from \$112.8 million for the same period a year ago. This increase in revenues is primarily due to a \$6.7 million (7.9%) increase in rentals and fees income. Of this increase in rentals and fees income, \$8.4 million is attributed to Aaron's Rental Purchase stores in which rental revenues increased 24.4% to \$42.8 million in the first six months of 1996 compared to \$34.4 million for the same period a year ago. Rental revenues from the Company's rent-to-rent operations declined \$1.7 million (3.4%) during the same period.

Revenues from sales declined \$1.6 million (5.8%) to \$26.0 million compared to \$27.6 million for the same period last year. This decrease is due to decreased sales of new furniture and sales to furniture distributors. Sales to furniture distributors decreased \$691,000 for the six months of fiscal year 1996 compared to the same period a year ago.

Other revenues in the six months of 1996 were \$1,106,000 compared to \$891,000 a year ago. Included in other revenues is franchise and royalty fee income from franchised operations. This income for the first six months of fiscal year 1996 was \$660,000 compared to \$368,000 for the same period a year ago.

Cost of sales decreased \$1.4 million to \$18.6 million compared to \$19.9 million for the six months last year and, as a percentage of sales, decreased to 71.4% from 72.3%. The improvement in gross margins is primarily due to improved margins on the sale of rental return furniture.

Operating expenses increased \$3.0 million (5.3%) to \$59.7 million compared to \$56.7 million a year ago. As a percentage of total revenues, operating expenses were 50.5% for the first six months of fiscal year 1996 compared to 50.2% for the same period a year ago.

Depreciation of rental merchandise increased \$1.4 million (5.3%) to \$27.8 million from \$26.4 million last year and, as a percentage of total rentals and fees, decreased to 30.6% for the six months from 31.3% for the same period a year ago. The percentage decline was due to lower depreciation expense compared to rentals and fees at Aaron's Rental Purchase stores.

Interest expense increased \$169,000 (12.0%) to \$1,580,000 for the first six months of fiscal year 1996 compared to \$1,411,000 for the same period last year. The increase in interest expense is due to increased borrowing rates in the first six months of fiscal year 1996.

Income tax expense increased \$723,000 (22.2%) to \$4.0 million compared to \$3.3 million a year ago, and the Company's effective tax rate was 37.9% for the first six months of fiscal year 1996 compared to 38.9% in the previous year's period. The decrease in the effective tax rate is due to lower amounts provided in fiscal year 1996 for permanent differences.

As a result, net earnings increased \$1.4 million (27.5%) to \$6.5 million for the first six months of fiscal year 1996 compared to \$5.1 million a year ago. As a percentage of total revenues, net earnings were 5.5% in the current year and 4.5% for the same period a year ago.

The weighted average number of shares outstanding during the first six months of fiscal year 1996 was 10,028,000 compared to 9,822,000 for the first six month period last year.

LIQUIDITY AND CAPITAL RESOURCES:

On May 2, 1994, the Company issued through a public offering 1,275,000 shares of Class B Common Stock. The net proceeds to the Company after deducting underwriting discounts and offering expenses were \$14.1 million. The net proceeds were used to reduce bank debt.

During the first quarter of fiscal year 1996, the Company declared a semi-annual dividend payable on July 6, 1995 of \$.02 per share on Class A Common Stock and \$.05 per share on Class B 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.

ITEM 5. OTHER INFORMATION

On November 7, 1995, the Company's Board of Directors made a decision to change the Company's fiscal year end from March 31 to December 31. The Company has elected to file a transition report on Form 10-K for the nine-month transition period from April 1, 1995 to December 31, 1995, and will begin its quarterly reporting on its new fiscal year with its new first quarter ended March 31, 1996.

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	12
27	Article 5 Financial Data Schedule	13

(b) No reports on Form 8-K were filed by the Registrant during the three months ended September 30, 1995.

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 - November 10, 1995

/s/ GILBERT L. DANIELSON

Gilbert L. Danielson
Vice President, Finance
Chief Financial Officer

Date - November 10, 1995

/s/ ROBERT P. SINCLAIR, JR.

Robert P. Sinclair, Jr.
Controller

EXHIBIT 11

COMPUTATION OF EARNINGS PER SHARE

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	SEPTEMBER 30,		SEPTEMBER 30,	
	1995	1994	1995	1994

	(in thousands, except per share amounts)			
PRIMARY:				
Net Income	\$ 3,205	\$ 2,507	\$ 6,520	\$ 5,114
	=====	=====	=====	=====
Weighted average number of common shares outstanding	9,716	9,723	9,750	9,504
	-----	-----	-----	-----
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	306	317	278	318
	-----	-----	-----	-----
Weighted average number of common and common equivalent share	10,022	10,040	10,028	9,822
	-----	-----	-----	-----
Primary earnings per share	\$.32	\$.25	\$.65	\$.52
	=====	=====	=====	=====
Fully diluted:				
Weighted average number of common and common equivalent share	10,022	10,040	10,028	9,822
	-----	-----	-----	-----
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	1		28	
	-----	-----	-----	-----
Weighted average number of common shares fully diluted	10,023	10,040	10,056	9,822
	-----	-----	-----	-----
Fully diluted earnings per share*	\$.32	\$.25	\$.65	\$.52
	=====	=====	=====	=====

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

<ARTICLE> 5

<LEGEND> THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM AARON RENT'S QUARTERLY REPORT TO STOCKHOLDERS FOR THE QUARTER ENDED SEPTEMBER 30, 1995 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 53,343 accumulated depreciation.

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

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