

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, 1997

For Quarter Ended

0-12385

Commission File No.

AARON RENTS, INC.

(Exact name of registrant as
specified in its charter)

Georgia

(State or other jurisdiction of
incorporation or organization)

58-0687630

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

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

(Address of principal executive offices)

30305-2377

(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 10, 1997 -----
Common Stock, \$.50 Par Value	15,112,946
Class A Common Stock, \$.50 Par Value	3,836,506

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

AARON RENTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	(unaudited) September 30, 1997 -----	December 31, 1996 -----
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(in thousands)

ASSETS:		
Cash	\$ 98	\$ 84
Accounts Receivable	11,488	10,491

Rental Merchandise	222,115	210,516
Less: Accumulated Depreciation	(67,577)	(60,532)
	-----	-----
	154,538	149,984
Property, Plant and Equipment, Net	31,076	33,267
Prepaid Expenses and Other Assets	4,154	4,277
	-----	-----
Total Assets	\$201,354	\$198,103
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Accounts Payable and Accrued Expenses	\$ 25,637	\$ 24,999
Dividends Payable		382
Deferred Income Taxes Payable	4,725	2,882
Customer Deposits and Advance Payments	7,179	7,140
Bank Debt	50,840	55,125
Other Debt	828	240
	-----	-----
Total Liabilities	89,209	90,768
Shareholders' Equity:		
Common Stock, Par Value \$.50 Per Share; Authorized: 25,000,000 Shares; Shares Issued: 16,170,987	8,085	8,085
Common Stock, Class A, Par Value \$.50 Per Share; Authorized: 25,000,000 Shares; Shares Issued: 5,361,761	2,681	2,681
Additional Paid in Capital	15,476	15,445
Retained Earnings	109,597	96,226
	-----	-----
	135,839	122,437
Less: Treasury Shares at Cost,		
Common Stock, 1,062,041 Shares at September 30, 1997 and 415,941 Shares at December 31, 1996	(9,559)	(2,315)
Class A Common Stock, 1,525,255 Shares at September 30, 1997 and 1,418,855 Shares at December 31, 1996	(14,135)	(12,787)
	-----	-----
Total Shareholders' Equity	112,145	107,335
	-----	-----
Total Liabilities and Shareholders' Equity	\$201,354	\$198,103
	=====	=====

See Notes to Consolidated Financial Statements

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	1997	1996	1997	1996

	(in thousands, except per share amounts)			
REVENUES:				
Rentals and Fees	\$ 56,940	\$ 54,230	\$171,961	\$155,687
Retail Sales	15,068	13,857	44,491	39,608
Non-Retail Sales	2,625	1,930	9,305	5,334
Other	1,605	1,207	4,426	2,898
	-----	-----	-----	-----
	76,238	71,224	230,183	203,527
	-----	-----	-----	-----
COSTS AND EXPENSES:				
Retail Cost of Sales	10,662	10,160	32,190	28,178
Non-Retail Cost of Sales	2,491	1,856	8,732	5,069

Operating Expenses	36,796	35,377	110,932	101,259
Depreciation of Rental Merchandise	17,484	16,728	53,030	47,256
Interest	922	905	2,728	2,401
	-----	-----	-----	-----
	68,355	65,026	207,612	184,163
	-----	-----	-----	-----
EARNINGS BEFORE TAXES	7,883	6,198	22,571	19,364
INCOME TAXES	3,078	2,411	8,821	7,504
	-----	-----	-----	-----
NET EARNINGS	\$ 4,805	\$ 3,787	\$ 13,750	\$ 11,860
	=====	=====	=====	=====
EARNINGS PER SHARE	\$.25	\$.19	\$.70	\$.59
	-----	-----	-----	-----
CASH DIVIDENDS DECLARED PER SHARE				
Common Stock	\$	\$	\$.02	\$.02
	-----	-----	-----	-----
Class A Common Stock	\$	\$	\$.02	\$.02
	-----	-----	-----	-----
WEIGHTED AVERAGE SHARES OUTSTANDING	19,548	20,027	19,659	19,962
	=====	=====	=====	=====

See Notes to Consolidated Financial Statements

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

	Nine Months Ended	
	September 30,	
	1997	1996
	-----	-----
	(in thousands)	
OPERATING ACTIVITIES		
Net Earnings	\$13,750	\$11,860
Depreciation and Amortization	57,709	48,088
Deferred Income Taxes	1,843	(1,381)
Change in Accounts Payable and Accrued Expenses	638	2,188
Change in Accounts Receivable	(997)	(1,765)
Other Changes, Net	204	1,349
	-----	-----
Cash Provided by Operating Activities	73,147	60,339
	-----	-----
INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(8,486)	(13,319)
Book Value of Property Retired or Sold	6,016	874
Additions to Rental Equipment	(100,219)	(98,597)
Book Value of Rental Equipment Sold	42,752	37,645
Contracts and Other Assets Acquired	(177)	(1,744)
	-----	-----
Cash Used by Investing Activities	(60,114)	(75,141)
	-----	-----
FINANCING ACTIVITIES		
Proceeds from Revolving Credit Agreement	72,202	63,669
Repayments on Revolving Credit Agreement	(76,487)	(45,890)
Increase in Other Debt	588	383

Dividends Paid	(761)	(747)
Acquisition of Treasury Stock	(8,918)	(2,785)
Issuance of Stock Under Stock Option Plan	357	173
	-----	-----
Cash (used) Provided by Financing Activities	(13,019)	14,803
	-----	-----
Increase in Cash	14	1
Cash at Beginning of Year	84	98
	-----	-----
Cash at End of Period	\$ 98	\$ 99
	=====	=====

See Notes to Consolidated Financial Statements

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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 September 30, 1997, and the Consolidated Statements of Earnings and Cash Flows for the nine months ended September 30, 1997 and 1996, 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, 1997 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 December 31, 1996. The results of operations for the period ended September 30, 1997 are not necessarily indicative of the operating results for the full year.

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PART I - FINANCIAL INFORMATION
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED
FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

RESULTS OF OPERATIONS:

THE QUARTER ENDED SEPTEMBER 30, 1997, COMPARED TO THE QUARTER ENDED SEPTEMBER 30, 1996:

Total revenues for the third quarter of 1997 increased \$5.0 million (7.0%) to \$76.2 million compared to \$71.2 million for the same period a year ago. This increase in revenues was primarily due to a \$2.7 million (5.0%) increase in rentals and fees revenues. Of this increase in rental revenues, \$4.4 million was attributable to Aaron's Rental Purchase stores, which increased 17.1% to \$30.0 million compared to \$25.7 million last year. Rental revenues from the Company's rent-to-rent operations decreased \$1.7 million (5.8%) to \$26.9 million compared to \$28.6 million during the same period a year ago. The decrease in rent-to-rent rental revenues is due to over \$2 million in Summer Olympic Games related revenues being included in the third quarter of 1996.

Retail sales, increased \$1.2 million (8.7%) to \$15.1 million compared to \$13.9 million last year. The \$1.2 million increase in retail sales was due to an increase in retail sales for the rent-to-rent division of \$684,000 and an increase in retail sales of \$527,000 for the rental purchase division.

Non-retail sales, which primarily represent wholesale sales to Aaron's Rental Purchase franchisees, increased \$695,000 (36.0%) to \$2.6 million compared to \$1.9 million for the same period last year. The increased sales are due to the growth of the franchise operations.

Other revenue increased \$398,000 (33.0%) to \$1.6 million compared to \$1.2 million last year. Included in other revenues is an increase of \$416,000 (52.1%) in franchise and royalty fee income due to a net increase of 32 franchised stores compared to a year ago, as well as older franchised stores gaining in revenues. Franchise and royalty fee income for the current quarter was \$1.2 million compared with \$797,000 for the same period last year.

Retail cost of sales increased \$502,000 (4.9%) to \$10.7 million compared to \$10.2 million last year and, as a percentage of retail sales, decreased to 70.8% from 73.3% due to increased margins on sales in both the rent-to-rent and rental purchase divisions.

Non-retail cost of sales increased \$635,000 (34.2%) to \$2.5 million from \$1.9 million last year, and as a percentage of non-retail sales, decreased to 94.9% from 96.2%. The decrease in non-retail cost of sales as a percentage of non-retail sales is due to a higher margins on sales from the Company's manufacturing operation to other furniture retailers during the third quarter of 1997.

Operating expenses increased \$1.4 million (4.0%) to \$36.8 million from \$35.4 million last year. As a percentage of total revenues, operating expenses decreased to 48.3% from 49.7% for the same period a year ago. The decline in operating expenses as a percentage of total revenues is due to the leveraging of such expenses over a larger revenue base.

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Depreciation of rental merchandise increased \$756,000 (4.5%) to \$17.5 million compared to \$16.7 million last year, and as a percentage of total rentals and fees, decreased slightly to 30.7% versus 30.8% for the same period in 1996.

Interest expense increased \$17,000 (1.9%) to \$922,000 compared to \$905,000 last year. As a percentage of total revenues, interest decreased slightly to 1.2% compared to 1.3% for the same period in 1996. The slight increase in interest expense was due to the effect of lower debt being offset by higher interest rates.

Income tax expense increased \$667,000 (27.7%) to \$3.1 million compared to \$2.4 million last year, and the Company's effective tax rate was 39.0% for the quarter versus 38.9% for the same period in 1996 due to higher state income taxes.

As a result, net earnings increased \$1.0 million (26.9%) to \$4.8 million in the third quarter of 1997 compared to \$3.8 million for the same period in 1996. As a percentage of total revenues, net earnings increased to 6.3% in the current quarter as compared to 5.3% for the same period last year.

The weighted average number of shares outstanding during the third quarter of 1997 was 19,548,000 compared to 20,027,000 for the same period last year.

NINE MONTHS ENDED SEPTEMBER 30, 1997, COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1996:

Total revenues for the first nine months of 1997 increased \$26.7 million (13.1%) to \$230.2 million compared to \$203.5 million for the same period a year ago. This increase in revenues was primarily due to a \$16.3 million (10.5%) increase in rentals and fees revenues and \$4.9 million (12.3%) increase in retail sales. Of this increase in rental revenues, \$13.7 million was attributable to Aaron's Rental Purchase stores, which increased 18.2% to \$88.7 million compared to \$75.0 million last year. Rental revenues from the Company's rent-to-rent operations increased \$2.6 million (3.2%) to \$83.3 million compared to \$80.7 million for the same period last year. The \$4.9 million increase in retail sales was due to an increase in retail sales for the rent-to-rent division of \$4.0 million (10.8%) and an increase in retail sales of \$870,000 (35.5%) for the rental purchase

division.

Non-retail sales, which primarily represent wholesale sales to Aaron's Rental Purchase franchisees, increased \$4.0 million (74.4%) to \$9.3 million compared to \$5.3 million for the same period last year. The increased non-retail sales are due to the growth of the franchise operations.

Other revenue increased \$1.5 million (52.7%) to \$4.4 million compared to \$2.9 million last year. Included in other revenues is an increase of \$1.1 million (62.4%) in franchise and royalty fee income due to a net increase of 32 franchise stores compared to a year ago as well as older franchise stores gaining in revenue. This income for the nine month period was \$2.9 million compared with \$1.8 million for the same period last year.

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Retail cost of sales increased \$4.0 million (14.2%) to \$32.2 million compared to \$28.2 million and as a percentage of retail sales, increased to 72.4% from 71.1% primarily due to lower margin sales in the rent-to-rent division.

Non-retail cost of sales increased \$3.7 million (72.3%) to \$8.7 million from \$5.1 million last year, and as a percentage of non-retail sales, decreased to 93.8% from 95.0%. The decrease in non-retail cost of sales as a percentage of non-retail sales is due to a higher margins on sales from the Company's manufacturing operation to other furniture retailers during the first nine months of 1997.

Operating expenses increased \$9.7 million (9.6%) to \$110.9 million from \$101.3 million. As a percentage of total revenues, operating expenses decreased to 48.2% from 49.8% for the same period a year ago. The decline in operating expenses as a percentage of total revenues is due to revenues increasing faster than expenses.

Depreciation of rental merchandise increased \$5.8 million (12.2%) to \$53.0 million compared to \$47.3 million and, as a percentage of total rentals and fees, increased to 30.8% from 30.4% for the same period last year.

Interest expense increased \$327,000 (13.6%) to \$2.7 million compared to \$2.4 million last year. As a percentage of total revenues, interest expense was 1.2% for both periods. The stability in interest expense was due to higher interest rates being offset by lower debt levels.

Income tax expense increased \$1.3 million (17.6%) to \$8.8 million compared to \$7.5 million, and the Company's effective tax rate was 39.1% for the current nine month period versus 38.8% for the same period in 1996 due to higher state income tax rates.

As a result, net earnings increased \$1.9 million (15.9%) to \$13.8 million in first nine months of 1997 compared to \$11.9 million for the same period in 1996. As a percentage of total revenues, net earnings increased to 6.0% in the first nine months as compared to 5.8% for the same period last year.

The weighted average number of shares outstanding during the first nine months of 1997 was 19,659,000 compared to 19,994,000 for the same period last year.

LIQUIDITY AND CAPITAL RESOURCES:

- - - - -

On May 6, 1997, the Company declared a semi-annual dividend payable on July 8, 1997 of \$.02 per share on both Common Stock and Class A Common Stock.

In February of 1997, the Company's Board of Directors authorized the purchase of 1,000,000 shares of the Company's Common Stock and Class A Common Stock. During the first nine months of 1997 795,000 shares at an aggregate cost of \$8.9 million had been purchased.

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.

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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 11, 1997

/s/Gilbert L. Danielson

Gilbert L. Danielson
Vice President, Finance
Chief Financial Officer

Date - November 11, 1997

/s/Robert P. Sinclair, Jr.

Robert P. Sinclair, Jr.
Corporate Controller

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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 -----
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 September 30, 1997.

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EXHIBIT 11
COMPUTATION OF EARNINGS PER SHARE

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	1997	1996	1997	1996
	(in thousands, except per share data)			
Primary:				
Net Income	\$ 4,805	\$ 3,787	\$ 13,750	\$ 11,860
	=====	=====	=====	=====
Weighted average number of common shares outstanding	18,963	19,029	19,238	19,083
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	585	998	421	879
	-----	-----	-----	-----
Weighted average number of common and common equivalent shares	19,548	20,027	19,659	19,962
	-----	-----	-----	-----
Primary earnings per share	\$.25	\$.19	\$.70	\$.59
	=====	=====	=====	=====
Fully diluted:				
Weighted average number of common and common equivalent shares	19,548	20,027	19,657	19,962
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	61	0	62	1
	-----	-----	-----	-----
Weighted average number of common shares fully diluted	19,609	20,027	19,721	19,963
	-----	-----	-----	-----
Fully diluted earnings per share *	\$ 0.25	\$ 0.19	\$ 0.70	\$ 0.59
	=====	=====	=====	=====

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

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<F1>The allowance of 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 67,577 accumulated depreciation.

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

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

</FN>