

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, 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 August 7, 1997 -----
Common Stock, \$.50 Par Value	15,094,946
Class A Common Stock, \$.50 Par Value	3,869,506

PART I - FINANCIAL INFORMATION
ITEM 1 - FINANCIAL STATEMENTS

AARON RENTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(unaudited)
June 30, December 31,
1997 1996

(in thousands)

ASSETS:

Cash	\$	96	\$	84
Accounts Receivable		10,823		10,491
Rental Merchandise		216,721		210,516
Less: Accumulated Depreciation		(63,167)		(60,532)
		-----		-----
		153,554		149,984
Property, Plant and Equipment, Net		26,734		33,267
Prepaid Expenses and Other Assets		5,470		4,277
		-----		-----
Total Assets	\$	196,677	\$	198,103
		=====		=====
LIABILITIES AND SHAREHOLDERS' EQUITY:				
Accounts Payable and Accrued Expenses	\$	22,495	\$	24,999
Dividends Payable		379		382
Deferred Income Taxes Payable		3,750		2,882
Customer Deposits and Advance Payments		7,132		7,140
Bank Debt		54,000		55,125
Other Debt		1,232		240
		-----		-----
Total Liabilities		88,988		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		15,462		15,445
Retained Earnings		104,792		96,226
		-----		-----
		131,020		122,437
Less: Treasury Shares at Cost,				
Common Stock, 1,081,541 Shares at June 30, 1997 and 415,941 Shares at December 31, 1996		(9,735)		(2,315)
Class A Common Stock, 1,492,255 Shares at June 30, 1997 and 1,418,855 Shares at December 31, 1996		(13,596)		(12,787)
		-----		-----
Total Shareholders' Equity		107,689		107,335
		-----		-----
Total Liabilities and Shareholders' Equity	\$	196,677	\$	198,103
		=====		=====

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,	
	1997	1996	1997	1996
	-----	-----	-----	-----
(in thousands, except per share amounts)				
REVENUES:				
Rentals and Fees	\$ 58,006	\$ 51,976	\$ 115,021	\$ 101,457
Retail Sales	14,355	12,837	29,423	25,751
Non-Retail Sales	3,709	1,811	6,680	3,404
Other	1,395	986	2,821	1,691
	-----	-----	-----	-----
	77,465	67,610	153,945	132,303
	-----	-----	-----	-----
COSTS AND EXPENSES:				

Retail Cost of Sales	10,444	8,984	21,528	18,018
Non-Retail Cost of Sales	3,458	1,724	6,241	3,213
Operating Expenses	37,086	33,812	74,136	65,882
Depreciation of Rental Merchandise	17,932	15,936	35,546	30,528
Interest	937	779	1,806	1,496
	-----	-----	-----	-----
	69,857	61,235	139,257	119,137
	-----	-----	-----	-----
EARNINGS BEFORE TAXES	7,608	6,375	14,688	13,166
INCOME TAXES	2,975	2,461	5,743	5,093
	-----	-----	-----	-----
NET EARNINGS	\$ 4,633	\$ 3,914	\$ 8,945	\$ 8,073
	=====	=====	=====	=====
EARNINGS PER SHARE	\$.24	\$.20	\$.45	\$.41
	-----	-----	-----	-----
CASH DIVIDENDS DECLARED PER SHARE				
Common Stock	\$.02	\$.02	\$.02	\$.02
	-----	-----	-----	-----
Class A Common Stock	\$.02	\$.02	\$.02	\$.02
	-----	-----	-----	-----
WEIGHTED AVERAGE SHARES OUTSTANDING	19,443	20,027	19,715	19,931
	=====	=====	=====	=====

See Notes to Consolidated Financial Statements

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

	Six Months Ended	
	June 30,	
	1997	1996
	-----	-----
	(in thousands)	
OPERATING ACTIVITIES		
Net Earnings	\$ 8,945	\$ 8,073
Depreciation and Amortization	38,682	33,451
Deferred Taxes	732	669
Change in Accounts Payable and Accrued Expenses	1,896	6,068
Change in Accounts Receivable	(332)	(1,269)
Other Changes, Net	(5,423)	1,141
	-----	-----
Cash Provided by Operating Activities	44,500	48,133
	-----	-----
INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(3,588)	(7,319)
Book Value of Property Retired or Sold	6,985	506
Additions to Rental Equipment	(67,655)	(65,894)
Book Value of Rental Equipment Sold	28,674	20,721
Contracts and Other Assets Acquired	(177)	(1,744)
	-----	-----
Cash Used by Investing Activities	(35,761)	(53,730)
	-----	-----
FINANCING ACTIVITIES		
Proceeds from Revolving Credit Agreement	49,880	41,429
Repayments on Revolving Credit Agreement	(51,005)	(33,555)

Increase of Other Debt	992	735
Dividends Paid	(382)	(365)
Acquisition of Treasury Stock	(8,378)	(2,785)
Issuance of Stock Under Stock Option Plan	166	136
	-----	-----
Cash (used) provided by financing activities	(8,727)	5,595
	-----	-----
Increase (decrease) in Cash	12	(2)
Cash at Beginning of Year	84	98
	-----	-----
Cash at End of Period	\$ 96	\$ 96
	=====	=====

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, 1997, and the Consolidated Statements of Earnings and Cash Flows for the six months ended June 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 June 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 June 30, 1997 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:

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

Total revenues for the second quarter of 1997 increased \$9.9 million (14.6%) to \$77.5 million compared to \$67.6 million for the same period a year ago. This increase in revenues was primarily due to a \$6.0 million (11.6%) increase in rentals and fees revenues. Of this increase in rental revenues, \$4.2 million was attributable to Aaron's Rental Purchase stores, which increased 16.5% to \$29.9 million compared to \$25.7 million last year. Rental revenues from the Company's rent-to-rent operations increased \$1.8 million (6.8%) to \$28.0 million compared to \$26.2 million during the same period a year ago.

Retail sales, increased \$1.5 million (11.8%) to \$14.4 million compared to \$12.8 million last year. The \$1.5 million increase in retail sales was due to an increase in retail sales for the rent-to-rent division of \$1.3 million and an increase in retail sales of \$179,000 for the rental purchase division.

Non-retail sales, which primarily represent wholesale sales to Aaron's Rental

Purchase franchisees, increased \$1.9 million (104.8%) to \$3.7 million compared to \$1.8 million for the same period last year. The increased sales are due to the growth of the franchise operations.

Other revenue increased \$409,000 (41.5%) to \$1.4 million compared to \$986,000 last year. Included in other revenues is an increase of \$316,000 in franchise and royalty fee income due to a net increase of 31 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 \$671,000 compared with \$355,000 for the same period last year.

Retail cost of sales increased \$1.5 million (16.3%) to \$10.4 million compared to \$9 million last year, and as a percentage of retail sales, increased to 72.8% from 70.0% primarily due to lower margin sales in the rent-to-rent division.

Non-retail cost of sales increased \$1.7 million (100.6%) to \$3.5 million from \$1.7 million last year, and as a percentage of sales, decreased to 93.2% from 95.2%. The decrease in cost of sales as a percentage of sales is due to a higher margins on sales from the Company's manufacturing operation to other furniture retailers during the second quarter of 1997.

Operating expenses increased \$3.3 million (9.7%) to \$37.1 million from \$33.8 million last year. As a percentage of total revenues, operating expenses decreased to 47.9% from 50.0% for the same period a year ago. The decline in operating expenses as a percentage of total revenue is due to revenues increasing faster than expenses.

Depreciation of rental merchandise increased \$2.0 million (12.5%) to \$17.9 million compared to \$15.9 million last year, and as a percentage of total rentals and fees, increased slightly to 30.9% versus 30.7% for the same period in 1996.

Interest expense increased \$158,000 (20.3%) to \$937,000 compared to \$779,000 last year. As a percentage of total revenues, interest was 1.2% for both periods due primarily to the stability of interest rates during the quarters.

Income tax expense increased \$514,000 (20.9%) to \$3.0 million compared to \$2.5 million last year, and the Company's effective tax rate was 39.1% for the quarter versus 38.6% for the same period in 1996 due to higher state income taxes.

As a result, net earnings increased \$719,000 (18.4%) to \$4.6 million in the second quarter of 1997 compared to \$3.9 million for the same period in 1996. As a percentage of total revenues, net earnings increased to 6.0% in the current quarter as compared to 5.8% for the same period last year.

The weighted average number of shares outstanding during the second quarter of 1997 was 19,443,000 compared to 20,027,000 for the same period last year. Prior year weighted average shares outstanding have been restated to reflect the June, 1996 100% stock dividend.

SIX MONTHS ENDED JUNE 30, 1997, COMPARED TO SIX MONTHS ENDED JUNE 30, 1996:

Total revenues for the first six months of 1997 increased \$21.6 million (16.4%) to \$153.9 million compared to \$132.3 million for the same period a year ago. This increase in revenues was primarily due to a \$13.6 million (13.4%) increase in rentals and fees revenues and \$3.7 million (14.3%) increase in retail sales. Of this increase in rental revenues, \$9.3 million was attributable to Aaron's Rental Purchase stores, which increased 18.8% to \$58.6 million compared to \$49.3 million last year. Rental revenues from the Company's rent-to-rent operations increased \$4.3 million (8.2%) to \$56.4 million compared to \$52.1 million for the same period last year. The \$3.7 million increase in retail sales was due to an increase in retail sales for the rent-to-rent division of \$3.3 million and an increase in retail sales of \$344,000 for the rental purchase division.

Non-retail sales, which primarily represent wholesale sales to Aaron's Rental Purchase franchisees, increased \$3.3 million (96.2%) to \$6.7 million compared to \$3.4 million for the same period last year. The increased sales are due to the growth of the franchise operations.

Other revenue increased \$1.1 million (66.8%) to \$2.8 million compared to \$1.7 million last year. Included in other revenues is an increase of \$562,000 in franchise and royalty fee income due to a net increase of 31 franchise stores

compared to a year ago as well as older franchise stores gaining in revenue. This income for the six month period was \$1.3 million compared with \$697,000 for the same period last year.

Retail cost of sales increased \$3.5 million (19.5%) to \$21.5 million compared to \$18.0 million and as a percentage of retail sales, increased to 73.2% from 70% primarily due to lower margin sales in the rent-to-rent division.

Non-retail cost of sales increased \$3 million (94.2%) to \$6.2 million from \$3.2 million last year, and as a percentage of sales, decreased to 93.4% from 94.4%. The decrease in cost of sales as a percentage of sales is due to a higher margins on sales from the Company's manufacturing operation to other furniture retailers during the second quarter of 1997.

Operating expenses increased \$8.3 million (12.5%) to \$74.1 million from \$65.9 million. As a percentage of total revenues, operating expenses decreased to 48.2% from 49.8% for the same period a year ago.

Depreciation of rental merchandise increased \$5.0 million (16.4%) to \$35.5 million compared to \$30.5 million and, as a percentage of total rentals and fees, increased to 30.9% from 30.1% for the same period last year.

Interest expense increased \$310,000 (20.7%) to \$1.8 million. As a percentage of total revenues, interest expense increased slightly to 1.2% from 1.1% due to the stability of interest rates during the two six month periods.

Income tax expense increased \$650,000 (12.8%) to \$5.7 million compared to \$5.1 million, and the Company's effective tax rate was 39.1% for the current six month period versus 38.7% for the same period in 1996 due to higher state income tax rates.

As a result, net earnings increased \$872,000 (10.8%) to \$8.9 million in first six months of 1997 compared to \$8.1 million for the same period in 1996. As a percentage of total revenues, net earnings decreased to 5.8% in the first six months as compared to 6.1% for the same period last year.

The weighted average number of shares outstanding during the first six months of 1997 was 19,715,000 compared to 19,931,000 for the same period last year. Prior year weighted average shares outstanding have been restated to reflect the June, 1996 100% stock dividend.

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.

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 -----
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, 1997.

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 12, 1997

/s/ Gilbert L. Danielson

Gilbert L. Danielson
Vice President, Finance
Chief Financial Officer

Date - August 12, 1997

/s/ Robert P. Sinclair, Jr.

Robert P. Sinclair, Jr.
Corporate Controller

EXHIBIT 11
COMPUTATION OF EARNINGS PER SHARE

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	1997	1996	1997	1996
	(in thousands, except per share data)			
Primary:				
Net Income	\$ 4,633	\$ 3,914	\$ 8,945	\$ 8,073
	=====	=====	=====	=====
Weighted average number of common shares outstanding	19,103	19,061	19,377	19,110
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	340	966	338	821
	-----	-----	-----	-----
Weighted average number of common and common equivalent shares	19,443	20,027	19,715	19,931
	-----	-----	-----	-----
Primary earnings per share	\$.24	\$.20	\$.45	\$.41
	=====	=====	=====	=====
Fully diluted:				
Weighted average number of common and common equivalent shares	19,443	20,027	19,715	19,931
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	126	0	65	0
	-----	-----	-----	-----
Weighted average number of common shares fully diluted	19,569	20,027	19,780	19,931
	-----	-----	-----	-----
Fully diluted earnings per share *	\$ 0.24	\$ 0.20	\$ 0.45	\$ 0.41
	=====	=====	=====	=====

*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.

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<F2>	Rental merchandise has been classified as inventory for purposes of this schedule. Rental merchandise has been shown net of 63,167 accumulated depreciation.	
<F3>	The financial statements are presented with an unclassified balance sheet.	
<F4>	PP&E has been shown net of accumulated depreciation.	
</FN>		