

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

March 31, 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 May 9, 1997 -----
Common Stock, \$.50 Par Value	15,089,446
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)	
	March 31, 1997	December 31, 1996
	-----	-----
	(in thousands)	
ASSETS:		
Cash	\$ 91	\$ 84
Accounts Receivable	11,004	10,491
Rental Merchandise	212,195	210,516
Less: Accumulated Depreciation	(62,482)	(60,532)
	-----	-----
Property, Plant and Equipment, Net	149,713	149,984
Prepaid Expenses and Other Assets	31,412	33,267
	-----	-----
Prepaid Expenses and Other Assets	3,120	4,277
	-----	-----
Total Assets	\$ 195,340	\$ 198,103
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Accounts Payable and Accrued Expenses	\$ 24,923	\$ 24,999
Dividends Payable		382
Deferred Income Taxes Payable	4,464	2,882
Customer Deposits and Advance Payments	7,276	7,140
Bank Debt	48,337	55,125
Other Debt		240
	-----	-----
Total Liabilities	85,000	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	15,445	15,445
Retained Earnings	100,538	96,226
	-----	-----
	126,749	122,437
Less: Treasury Shares at Cost,		
Common Stock, 499,741 Shares at March 31, 1997 and 415,941 Shares at December 31, 1996	(3,226)	(2,315)
Class A Common Stock, 1,455,255 Shares at March 31, 1997 and 1,418,855 Shares at December 31, 1996	(13,183)	(12,787)
	-----	-----
Total Shareholders' Equity	110,340	107,335
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 195,340	\$ 198,103
	=====	=====

See Notes to Consolidated Financial Statements

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

Three Months Ended

March 31,

	----- 1997 -----	1996 -----
	(in thousands, except per share amounts)	
REVENUES:		
Rentals and Fees	\$ 57,016	\$ 49,481
Retail Sales	15,067	12,914
Non-Retail Sales	2,971	1,593
Other	1,426	705
	----- 76,480	----- 64,693
COSTS AND EXPENSES:		
Retail Cost of Sales	11,083	9,034
Non-Retail Cost of Sales	2,783	1,489
Operating Expenses	37,051	32,070
Depreciation of Rental Merchandise	17,614	14,592
Interest	869	717
	----- 69,400	----- 57,902
EARNINGS BEFORE TAXES	7,080	6,791
INCOME TAXES	2,768	2,632
	-----	-----
NET EARNINGS	\$ 4,312 =====	\$ 4,159 =====
EARNINGS PER SHARE	\$.22 -----	\$.21 -----
CASH DIVIDENDS DECLARED PER SHARE		
Common Stock	\$ - -----	\$ - -----
Class A Common Stock	\$ - -----	\$ - -----
WEIGHTED AVERAGE SHARES OUTSTANDING	19,985 =====	19,844 =====

See Notes to Consolidated Financial Statements

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

	Three Months Ended ----- March 31, -----	
	1997	1996
	----- (in thousands) -----	
OPERATING ACTIVITIES		
Net Earnings	\$ 4,312	\$ 4,159
Depreciation and Amortization	16,566	16,272

Deferred Taxes	2,646	518
Change in Accounts Payable and Accrued Expenses	(76)	(267)
Change in Accounts Receivable	(513)	826
Other Changes, Net	253	2,105
	-----	-----
Cash Provided by Operating Activities	23,188	23,613
	-----	-----
INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(2,412)	(3,230)
Book Value of Property Retired or Sold	2,672	251
Additions to Rental Equipment	(32,095)	(31,242)
Book Value of Rental Equipment Sold	17,456	11,300
Contracts and Other Assets Acquired	(85)	
	-----	-----
Cash Used by Investing Activities	(14,464)	(22,921)
	-----	-----
FINANCING ACTIVITIES		
Proceeds from Revolving Credit Agreement	17,970	16,448
Repayments on Revolving Credit Agreement	(24,758)	(15,742)
(Decrease) Increase of Other Debt	(240)	1,081
Dividends Paid	(382)	(365)
Acquisition of Treasury Stock	(1,405)	(2,220)
Issuance of Stock Under Stock Option Plan	98	105
	-----	-----
Cash Used by Financing Activities	(8,717)	(693)
	-----	-----
Increase (Decrease) in Cash	7	(1)
Cash at Beginning of Year	84	98
	-----	-----
Cash at Beginning of Period	\$ 91	\$ 97
	=====	=====

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 March 31, 1997, and the Consolidated Statements of Earnings and Cash Flows for the three months ended March 31, 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 March 31, 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 March 31, 1997 are not necessarily indicative of the operating results for the full year.

FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

RESULTS OF OPERATIONS:

THE QUARTER ENDED MARCH 31, 1997, COMPARED TO THE QUARTER ENDED MARCH 31, 1996:

Total revenues for the first quarter of 1997 increased \$11.8 million (18.2%) to \$76.5 million compared to \$64.7 million for the same period a year ago. This increase in revenues was primarily due to a \$7.5 million (15.2%) increase in rentals and fees revenues and \$2.2 million (16.7%) increase in retail sales. Of this increase in rental revenues, \$5.0 million was attributable to Aaron's Rental Purchase stores, which increased 21.3% to \$28.6 million compared to \$23.6 million last year. Rental revenues from the Company's rent-to-rent operations increased \$2.5 million (9.7%) to \$28.4 million compared to \$25.9 million during the same period a year ago. The \$2.2 million increase in retail sales was due to an increase in the continued sale of rental return merchandise and the sale of new office furniture in the rent-to-rent division.

Non-retail sales, which represent wholesale sales to primarily Aaron's Rental Purchase franchisees, increased \$1.4 million (86.5%) to \$3.0 million compared to \$1.6 million for the same period last year. The increased sales are due to the growth of the franchise operations.

Other revenue increased \$721,000 (102.3%) to \$1.4 million compared to \$705,000 last year. Included in other revenues is an increase of \$513,000 in franchise and royalty fee income due to a net increase of 33 franchised stores as well as older franchised stores gaining in revenues. Franchise and royalty fee income for the current quarter was \$905,000 compared with \$392,000 for the same period last year.

Retail cost of sales increased \$2 million (22.7%) to \$11 million compared to \$9 million last year, and as a percentage of retail sales, increased to 73.6% from 70.0% primarily due to the liquidation of rental return merchandise and product mix.

Non-retail cost of sales increased \$1.3 million (86.9%) to \$2.8 million from \$1.5 million last year, and as a percentage of sales, increased to 93.7% from 93.5%. The increase in cost of sales as a percentage of sales is due to a larger percentage of franchise sales in 1997 which are at lower margins than other miscellaneous non-retail sales.

Operating expenses increased \$5.0 million (15.5%) to \$37.1 million from \$32.1 million last year. As a percentage of total revenues, operating expenses decreased to 48.4% from 49.6% for the same period a year ago.

Depreciation of rental merchandise increased \$3.0 million (20.7%) to \$17.6 million compared to \$14.6 million last year, and as a percentage of total rentals and fees, increased to 30.9% versus 29.5% for the same period in 1996. The increase is primarily due to increased depreciation in the rental purchase division.

Interest expense increased \$152,000 (21.2%) to \$869,000 compared to \$717,000 last year. As a percentage of total revenue, interest was 1.1% for both periods due primarily to the stability of interest rates during the quarter.

Income tax expense increased \$136,000 (5.2%) to \$2.8 million compared to \$2.6 million last year, and the Company's effective tax rate was 39.1% for the quarter versus 38.8% for the same period in 1996 due to higher state income taxes.

As a result, net earnings increased \$153,000 (3.7%) to \$4.3 million in the first quarter of 1997 compared to \$4.2 million for the same period in 1996. As a percentage of total revenues, net earnings decreased to 5.6% in the current quarter as compared to 6.4% for the same period last year.

The weighted average number of shares outstanding during the first quarter of 1997 was 19,985,000 compared to 19,844,000 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:

During the first quarter of 1997, the Company paid a semi-annual dividend that was declared in December 1996 of \$.02 per share on both Common Stock and Class A Common Stock respectively.

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 repurchase of 1,000,000 common shares.

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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS

The following is a description of the matters submitted to a vote at the May 6, 1997 Annual Shareholders meeting and the results of that vote.

(1) The election of ten directors to constitute the Board of Directors until the next annual meeting and until their successors are elected and qualified:

For: 3,595,836 Withheld: 17,888

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	10
27	Financial Data Schedule	11

(b) No reports on Form 8-K were filed by the Registrant during the three months ended March 31, 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 - May 13, 1997

/s/ Gilbert L. Danielson

Gilbert L. Danielson
Vice President, Finance
Chief Financial Officer

Date - May 13, 1997

/s/ Robert P. Sinclair, Jr.

Robert P. Sinclair, Jr.
Corporate Controller

EXHIBIT 11

 COMPUTATION OF EARNINGS PER SHARE

	Three Months Ended	
	----- March 31, -----	
	1997	1996

	(in thousands, except per share data)	
Primary:		
Net Income	\$ 4,312 =====	\$ 4,159 =====
Weighted average number of common shares outstanding	19,654	19,194
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	331 -----	650 -----
Weighted average number of common and common equivalent shares	19,985 -----	19,844 -----
Primary earnings per share	\$.22 =====	\$.21 =====
Fully diluted:		
Weighted average number of common and common equivalent shares	19,985	19,844
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	5 -----	44 -----
Weighted average number of common shares fully diluted	19,990 -----	19,888 -----
Fully diluted earnings per share *	\$ 0.22 =====	\$ 0.21 =====

*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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<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 62,482 accumulated depreciation.

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

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

</FN>