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## Aaron Rents Q4 2007 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) The first question comes from Dennis Telzrow from Stephens Inc. Please go ahead.

#### Dennis Telzrow – Stephens Inc.

I wonder if you could talk a little bit, I know loss rates went up on you last year, you talked about the change from the paper base to computer base collections. Any update on improvements there or thoughts?

#### R. Charles Loudermilk, Sr.

We have been making the change. We had to go back to the Okidata printers and our people have embraced it and today I can proudly say we're closing our non-renewals, that's what we call them, at our standard. So we're collecting the right sum of money and we're in line where it needs to be.

#### Gilbert L. Danielson

I just have a few facts that I can throw out for looking at the write off as a percentage of gross revenues. If you look at the store level gross revenues and compare write offs to that number which is really the fair comparison to do it. In the fourth quarter our write offs were 3.1% in the fourth quarter as a percentage of store level revenues versus 2.9% for the fourth quarter of last year and it was 3.2% in the third quarter. So it's hanging around kind of where it's been, it's a little bit worse than the fourth quarter a year ago, it's a little bit better than the third quarter of this year. Noticing in January which was the only month we've completed since the end of the quarter it was up 2.9% so it's fractionally better than it has been running. We're encouraged though that the trends we feel are going to tick up and improve and it looks like February trends look pretty good so far and so it takes a little time obviously to make an improvement on that end but it does seem that the trend is trending towards improvement.

#### R. Charles Loudermilk, Sr.

Also our franchise stores with collections have been very good.

#### Dennis Telzrow – Stephens Inc.

And one other question, franchisees obviously continue to do better than the corporate on a same store basis, any thoughts on why they continue to be such a big disparity there?

**R. Charles Loudermilk, Sr.**

Yeah, I've got a couple thoughts on it. Actually this past month our non-renewal basis was the same as the franchisee so I think we are getting some marked improvement. If you think of the average franchisee typically may have three or four stores, you've got another operator involved, he has a regional manager and they're very close to the stores so they're very much on top of their write off game. Not saying anything bad against company stores but we don't have a retail manager over eight to 10 stores so they're a lot closer to the operation overall and I think they can take some shortcuts that we can't take as well. So all in all when you look at it it's not like the franchisees are beating the corporate stores performance wise 2 to 1. It's like maybe they're 10 to our nine.

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