

Regional Management Corp.  
Form 10-Q  
August 01, 2017  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the quarterly period ended June 30, 2017**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the transition period ended**

**Commission File Number: 001-35477**

**Regional Management Corp.**

**(Exact name of registrant as specified in its charter)**

<b>Delaware</b> <b>(State or other jurisdiction of</b>	<b>57-0847115</b>
<b>incorporation or organization)</b>	<b>(I.R.S. Employer</b>
<b>979 Batesville Road, Suite B</b>	<b>Identification No.)</b>
<b>Greer, South Carolina</b>	<b>29651</b>
<b>(Address of principal executive offices)</b>	<b>(Zip Code)</b>
<b>(864) 448-7000</b>	
<b>(Registrant's telephone number, including area code)</b>	

Indicate by check mark whether the 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 31, 2017, the registrant had outstanding 11,652,488 shares of Common Stock, \$0.10 par value.



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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****Regional Management Corp. and Subsidiaries****Consolidated Balance Sheets****(in thousands, except par value amounts)**

	<b>June 30, 2017</b>		<b>December 31, 2016</b>
<b>Assets</b>	<b>(Unaudited)</b>		
Cash	\$ 3,678	\$	4,446
Gross finance receivables	933,257		916,954
Unearned finance charges and insurance premiums	(206,490)		(199,179)
Finance receivables	726,767		717,775
Allowance for credit losses	(42,000)		(41,250)
Net finance receivables	684,767		676,525
Property and equipment	11,653		11,693
Restricted cash	10,630		8,297
Intangible assets	8,480		6,448
Deferred tax asset	1,776		33
Other assets	6,549		4,782
<b>Total assets</b>	<b>\$ 727,533</b>	<b>\$</b>	<b>712,224</b>
<b>Liabilities and Stockholders Equity</b>			
<b>Liabilities:</b>			
Long-term debt	\$ 497,049	\$	491,678
Unamortized debt issuance costs	(5,539)		(2,152)
Net long-term debt	491,510		489,526
Accounts payable and accrued expenses	14,656		15,223
<b>Total liabilities</b>	<b>506,166</b>		<b>504,749</b>
<b>Commitments and Contingencies (Note 9)</b>			
<b>Stockholders equity:</b>			
Preferred stock (\$0.10 par value, 100,000 shares authorized, no shares issued or outstanding)			
Common stock (\$0.10 par value, 1,000,000 shares authorized, 13,201 shares issued and 11,655 shares outstanding at June 30, 2017, and 12,996 shares issued and 11,450 shares outstanding at December 31, 2016)			
	1,320		1,300
Additional paid-in-capital	92,535		92,432

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Retained earnings	152,558	138,789
Treasury stock (1,546 shares at June 30, 2017 and December 31, 2016)	(25,046)	(25,046)
<b>Total stockholders equity</b>	<b>221,367</b>	<b>207,475</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 727,533</b>	<b>\$ 712,224</b>

The following table presents the assets and liabilities of our consolidated variable interest entities:

<b>Assets</b>		
Cash	\$ 60	\$ 36
Finance receivables	56,646	41,244
Allowance for credit losses	(2,793)	(2,337)
Restricted cash	6,045	4,426
Other assets	90	201
<b>Total assets</b>	<b>\$ 60,048</b>	<b>\$ 43,570</b>
<b>Liabilities</b>		
Net long-term debt	\$ 47,305	\$ 37,898
Accounts payable and accrued expenses	18	5
<b>Total liabilities</b>	<b>\$ 47,323</b>	<b>\$ 37,903</b>

See accompanying notes to consolidated financial statements.

**Table of Contents****Regional Management Corp. and Subsidiaries****Consolidated Statements of Income****(Unaudited)****(in thousands, except per share amounts)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Revenue				
Interest and fee income	\$ 59,787	\$ 52,589	\$ 119,042	\$ 103,889
Insurance income, net	3,085	2,601	6,890	5,540
Other income	2,466	2,135	5,226	4,593
<b>Total revenue</b>	<b>65,338</b>	<b>57,325</b>	<b>131,158</b>	<b>114,022</b>
Expenses				
Provision for credit losses	18,589	13,386	37,723	27,177
Personnel	18,387	16,674	36,555	33,801
Occupancy	5,419	4,770	10,704	9,633
Marketing	1,779	2,062	2,984	3,577
Other	6,057	6,042	12,853	12,342
<b>Total general and administrative expenses</b>	<b>31,642</b>	<b>29,548</b>	<b>63,096</b>	<b>59,353</b>
Interest expense	5,221	4,811	10,434	9,521
Income before income taxes	9,886	9,580	19,905	17,971
Income taxes	3,751	3,668	6,136	6,883
Net income	\$ 6,135	\$ 5,912	\$ 13,769	\$ 11,088
Net income per common share:				
Basic	\$ 0.53	\$ 0.50	\$ 1.19	\$ 0.90
Diluted	\$ 0.52	\$ 0.49	\$ 1.17	\$ 0.89
Weighted average shares outstanding:				
Basic	11,554	11,756	11,524	12,256
Diluted	11,730	11,974	11,723	12,462

See accompanying notes to consolidated financial statements.





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**Regional Management Corp. and Subsidiaries**  
**Consolidated Statements of Stockholders Equity**  
**(Unaudited)**  
**(in thousands)**

	<b>Common Stock</b>		<b>Additional Paid-in-Capital</b>	<b>Retained Earnings</b>	<b>Treasury Stock</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>				
Balance, December 31, 2015	12,914	\$ 1,291	\$ 89,178	\$ 114,758	\$	\$ 205,227
Issuance of restricted stock awards	37	4	(4)			
Exercise of stock options	203	20				20
Excess tax deficiency from stock option exercises			(35)			(35)
Repurchase of common stock					(25,046)	(25,046)
Shares withheld related to net share settlement	(158)	(15)	(493)			(508)
Share-based compensation			3,786			3,786
Net income				24,031		24,031
<b>Balance, December 31, 2016</b>	<b>12,996</b>	<b>\$ 1,300</b>	<b>\$ 92,432</b>	<b>\$ 138,789</b>	<b>\$ (25,046)</b>	<b>\$ 207,475</b>
Issuance of restricted stock awards	80	8	(8)			
Exercise of stock options	254	25				25
Shares withheld related to net share settlement	(129)	(13)	(1,659)			(1,672)
Share-based compensation			1,770			1,770
Net income				13,769		13,769
<b>Balance, June 30, 2017</b>	<b>13,201</b>	<b>\$ 1,320</b>	<b>\$ 92,535</b>	<b>\$ 152,558</b>	<b>\$ (25,046)</b>	<b>\$ 221,367</b>

See accompanying notes to consolidated financial statements.

**Table of Contents****Regional Management Corp. and Subsidiaries****Consolidated Statements of Cash Flows****(Unaudited)****(in thousands)**

	<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>
Cash flows from operating activities:		
Net income	\$ 13,769	\$ 11,088
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	37,723	27,177
Depreciation and amortization	3,231	3,333
(Gain) loss on disposal of property and equipment	92	(8)
Share-based compensation	2,090	1,853
Fair value adjustment on interest rate caps	49	210
Deferred income taxes, net	(1,743)	2,428
Changes in operating assets and liabilities:		
Increase in other assets	(1,814)	(5,429)
Decrease in other liabilities	(2,293)	(2,102)
<b>Net cash provided by operating activities</b>		