

FIRSTCASH, INC  
Form 10-Q  
April 30, 2018  
Table of Contents

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 March 31, 2018  
OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-10960

FIRSTCASH, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

1600 West 7th Street, Fort Worth, Texas

(Address of principal executive offices)

75-2237318

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

76102

(Zip Code)

(817) 335-1100

(Registrant's telephone number, including area code)

NONE

(Former name, former address and former fiscal year, if changed since last report)

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 (§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 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



Table of Contents

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 April 23, 2018, there were 45,415,242 shares of common stock outstanding.

---

Table of Contents

FIRSTCASH, INC.  
FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2018

INDEX

PART I. FINANCIAL INFORMATION

<u>Item 1.</u>	<u>Financial Statements (Unaudited)</u>	<u>1</u>
	<u>Condensed Consolidated Balance Sheets</u>	<u>1</u>
	<u>Condensed Consolidated Statements of Income</u>	<u>2</u>
	<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Changes in Stockholders' Equity</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Cash Flows</u>	<u>5</u>
	<u>Notes to Condensed Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>14</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>33</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>33</u>

PART II. OTHER INFORMATION

<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>34</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>34</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>34</u>
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	<u>34</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	<u>35</u>
<u>Item 5.</u>	<u>Other Information</u>	<u>35</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>35</u>
	<u>SIGNATURES</u>	<u>36</u>

---

Table of Contents

CAUTIONARY STATEMENT REGARDING RISKS AND UNCERTAINTIES THAT MAY AFFECT FUTURE RESULTS

Forward-Looking Information

This quarterly report contains forward-looking statements about the business, financial condition and prospects of FirstCash, Inc. and its wholly owned subsidiaries (together, the “Company”). Forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, can be identified by the use of forward-looking terminology such as “believes,” “projects,” “expects,” “may,” “estimates,” “should,” “plans,” “targets,” “intends,” “could,” “wants,” “anticipates,” “potential,” “confident,” “optimistic” or the negative thereof, or other variations thereon, or comparable terminology, or by discussions of strategy, objectives, estimates, guidance, expectations and future plans.

Forward-looking statements can also be identified by the fact these statements do not relate strictly to historical or current matters. Rather, forward-looking statements relate to anticipated or expected events, activities, trends or results. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties.

These forward-looking statements are made to provide the public with management’s current assessment of the Company’s business. Although the Company believes the expectations reflected in forward-looking statements are reasonable, there can be no assurances such expectations will prove to be accurate. Security holders are cautioned such forward-looking statements involve risks and uncertainties. Certain factors may cause results to differ materially from those anticipated by the forward-looking statements made in this quarterly report. Such factors may include, without limitation, the risks, uncertainties and regulatory developments discussed and described in (i) the Company’s 2017 annual report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on February 20, 2018, including the risks described in Part 1, Item 1A, “Risk Factors” thereof, (ii) in this quarterly report, and (iii) other reports filed with the SEC. Many of these risks and uncertainties are beyond the ability of the Company to control, nor can the Company predict, in many cases, all of the risks and uncertainties that could cause its actual results to differ materially from those indicated by the forward-looking statements. The forward-looking statements contained in this quarterly report speak only as of the date of this quarterly report, and the Company expressly disclaims any obligation or undertaking to report any updates or revisions to any such statement to reflect any change in the Company’s expectations or any change in events, conditions or circumstances on which any such statement is based, except as required by law.

---

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## FIRSTCASH, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited, in thousands)

	March 31, 2018	2017	December 31, 2017
<b>ASSETS</b>			
Cash and cash equivalents	\$110,408	\$73,148	\$114,423
Fees and service charges receivable	40,022	38,021	42,736
Pawn loans	322,625	314,505	344,748
Consumer loans, net	17,447	22,209	23,522
Inventories	254,298	308,165	276,771
Income taxes receivable	24	18,419	19,761
Prepaid expenses and other current assets	21,575	14,331	20,236
Total current assets	766,399	788,798	842,197
Property and equipment, net	234,126	237,258	230,341
Goodwill	844,516	835,567	831,145
Intangible assets, net	91,764	101,594	93,819
Other assets	54,392	69,088	54,045
Deferred tax assets	12,499	11,249	11,237
Total assets	\$2,003,696	\$2,043,554	\$2,062,784
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Accounts payable and accrued liabilities	\$88,328	\$79,726	\$84,331
Customer deposits	35,692	36,983	32,019
Income taxes payable	12,266	1,041	4,221
Total current liabilities	136,286	117,750	120,571
Revolving unsecured credit facility	83,000	137,000	107,000
Senior unsecured notes	295,400	196,721	295,243
Deferred tax liabilities	49,063	74,368	47,037
Other liabilities	15,661	30,480	17,600
Total liabilities	579,410	556,319	587,451
Stockholders' equity:			
Preferred stock	—	—	—
Common stock	493	493	493
Additional paid-in capital	1,220,491	1,217,756	1,220,356
Retained earnings	525,847	410,874	494,457
Accumulated other comprehensive loss	(90,043 )	(96,801 )	(111,877 )
Common stock held in treasury, at cost	(232,502 )	(45,087 )	(128,096 )
Total stockholders' equity	1,424,286	1,487,235	1,475,333
Total liabilities and stockholders' equity	\$2,003,696	\$2,043,554	\$2,062,784

The accompanying notes are an integral part  
of these condensed consolidated financial statements.

1

---

Table of Contents

FIRSTCASH, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (unaudited, in thousands, except per share amounts)

	Three Months Ended March 31,	
	2018	2017
Revenue:		
Retail merchandise sales	\$269,841	\$259,994
Pawn loan fees	129,793	128,251
Wholesale scrap jewelry sales	34,725	38,111
Consumer loan and credit services fees	15,441	21,220
Total revenue	449,800	447,576
Cost of revenue:		
Cost of retail merchandise sold	174,497	165,635
Cost of wholesale scrap jewelry sold	32,495	34,949
Consumer loan and credit services loss provision	3,727	4,092
Total cost of revenue	210,719	204,676
Net revenue	239,081	242,900
Expenses and other income:		
Store operating expenses	138,561	136,744
Administrative expenses	28,002	33,238
Depreciation and amortization	11,283	14,243
Interest expense	6,198	6,113
Interest income	(981)	(327)
Merger and other acquisition expenses	239	647
Total expenses and other income	183,302	190,658
Income before income taxes	55,779	52,242
Provision for income taxes	14,144	19,597
Net income	\$41,635	\$32,645
Net income per share:		
Basic	\$0.90	\$0.67
Diluted	\$0.90	\$0.67
Dividends declared per common share	\$0.22	\$0.19

The accompanying notes are an integral part  
of these condensed consolidated financial statements.



Table of Contents

FIRSTCASH, INC.  
 CONDENSED CONSOLIDATED  
 STATEMENTS OF COMPREHENSIVE  
 INCOME

(unaudited, in thousands)

	Three Months Ended March 31, 2018 2017	
Net income	\$41,635	\$32,645
Other comprehensive income:		
Currency translation adjustment	21,834	23,005
Comprehensive income	\$63,469	\$55,650

The accompanying notes are an integral part  
of these condensed consolidated financial  
statements.

FIRSTCASH, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
 (unaudited, in thousands)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accum- ulated Other Compre- hensive Loss	Common Stock Held in Treasury	Total Stock- holders' Equity				
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance at 12/31/2017	—	\$ —	49,276	\$ 493	\$ 1,220,356	\$ 494,457	\$(111,877)	2,362	\$(128,096)	\$ 1,475,333	
Shares issued under share-based com-pensation plan	—	—	—	(1,240	) —	—	—	(22	) 1,240	—	
Share-based compensa-tion expense	—	—	—	1,375	—	—	—	—	—	1,375	
Net income	—	—	—	—	41,635	—	—	—	—	41,635	
Dividends paid	—	—	—	—	(10,245	) —	—	—	—	(10,245	)
Currency translation adjustment	—	—	—	—	—	21,834	—	—	—	21,834	
Purchases of treasury stock	—	—	—	—	—	—	—	1,378	(105,646	) (105,646	)
Balance at 3/31/2018	—	\$ —	49,276	\$ 493	\$ 1,220,491	\$ 525,847	\$(90,043	) 3,718	\$(232,502)	\$ 1,424,286	

The accompanying notes are an integral part  
of these condensed consolidated financial statements.



Table of Contents

FIRSTCASH, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
CONTINUED

(unaudited, in thousands)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accum- ulated Other Compre- hensive Loss	Common Stock Held in Treasury	Total Stock- holders' Equity			
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at 12/31/2016	—	\$ —	49,276	\$ 493	\$ 1,217,969	\$ 387,401	\$(119,806)	769	\$(36,071)	\$ 1,449,986
Shares issued under share-based com-pensation plan	—	—	—	(440)	) —	—	—	(10)	440	—
Exercise of stock options	—	—	—	(549)	) —	—	—	(13)	549	—
Share-based compensa-tion expense	—	—	—	776	—	—	—	—	—	776
Net income	—	—	—	—	32,645	—	—	—	—	32,645
Dividends paid	—	—	—	—	(9,172)	) —	—	—	—	(9,172)
Currency translation adjustment	—	—	—	—	—	23,005	—	—	—	23,005
Purchases of treasury stock	—	—	—	—	—	—	—	228	(10,005)	(10,005)
Balance at 3/31/2017	—	\$ —	49,276	\$ 493	\$ 1,217,756	\$ 410,874	\$(96,801)	974	\$(45,087)	\$ 1,487,235

The accompanying notes are an integral part  
of these condensed consolidated financial statements.

Table of Contents

FIRSTCASH, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (unaudited, in thousands)

	Three Months Ended March 31,	
	2018	2017
Cash flow from operating activities:		
Net income	\$41,635	\$32,645
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Non-cash portion of credit loss provision	1,874	2,639
Share-based compensation expense	1,375	776
Depreciation and amortization expense	11,283	14,243
Amortization of debt issuance costs	480	467
Amortization of favorable/(unfavorable) lease intangibles, net	(466)	(237)
Deferred income taxes, net	1,609	12,550
Changes in operating assets and liabilities, net of business combinations:		
Fees and service charges receivable	3,844	3,865
Inventories	7,715	6,796
Prepaid expenses and other assets	(3,174)	11,594
Accounts payable, accrued liabilities and other liabilities	(2,478)	(29,071)
Income taxes	27,619	7,598
Net cash flow provided by operating activities	91,316	63,865
Cash flow from investing activities:		
Loan receivables, net of cash repayments	56,220	67,189
Purchases of property and equipment	(8,837)	(8,076)
Acquisitions of pawn stores, net of cash acquired	(13,364)	(854)
Net cash flow provided by investing activities	34,019	58,259
Cash flow from financing activities:		
Borrowings from revolving unsecured credit facility	61,000	15,000
Repayments of revolving unsecured credit facility	(85,000)	(138,000)
Purchases of treasury stock	(100,019)	(10,005)
Dividends paid	(10,245)	(9,172)
Net cash flow used in financing activities	(134,264)	(142,177)
Effect of exchange rates on cash	4,914	3,246
Change in cash and cash equivalents	(4,015)	(16,807)
Cash and cash equivalents at beginning of the period	114,423	89,955
Cash and cash equivalents at end of the period	\$110,408	\$73,148

The accompanying notes are an integral part  
of these condensed consolidated financial statements.

Table of Contents

FIRSTCASH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Note 1 - Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated balance sheet at December 31, 2017, which is derived from audited financial statements, and the unaudited condensed consolidated financial statements, including the notes thereto, include the accounts of FirstCash, Inc. and its wholly-owned subsidiaries (together, the “Company”). The Company regularly makes acquisitions and the results of operations for the acquired stores have been consolidated since the acquisition dates. All significant intercompany accounts and transactions have been eliminated. See Note 3.

These unaudited consolidated financial statements are condensed and do not include all disclosures and footnotes required by generally accepted accounting principles in the United States of America for complete financial statements. These interim period financial statements should be read in conjunction with the Company’s consolidated financial statements, which are included in the Company’s annual report on Form 10-K for the year ended December 31, 2017, filed with the Securities and Exchange Commission (the “SEC”) on February 20, 2018. The condensed consolidated financial statements as of March 31, 2018 and 2017, and for the three month periods ended March 31, 2018 and 2017, are unaudited, but in management’s opinion include all adjustments (consisting of only normal recurring adjustments) considered necessary to present fairly the financial position, results of operations and cash flow for such interim periods. Operating results for the period ended March 31, 2018 are not necessarily indicative of the results that may be expected for the full fiscal year.

The Company has significant operations in Latin America, where in Mexico, Guatemala and Colombia the functional currency is the Mexican peso, Guatemalan quetzal and Colombian peso, respectively. Accordingly, the assets and liabilities of these subsidiaries are translated into U.S. dollars at the exchange rate in effect at each balance sheet date, and the resulting adjustments are accumulated in other comprehensive income (loss) as a separate component of stockholders’ equity. Revenues and expenses are translated at the average exchange rates occurring during the three month periods ended March 31, 2018 and 2017. The Company also has operations in El Salvador where the reporting and functional currency is the U.S. dollar.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”). ASU 2014-09 is a comprehensive revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In August 2015, the Financial Accounting Standards Board issued ASU No. 2015-14, “Revenue from Contracts with Customers (Topic 606),” which delayed the effective date of ASU 2014-09 by one year. In addition, between March 2016 and December 2016, the Financial Accounting Standards Board issued ASU No. 2016-08, “Revenue from Contracts with Customers - Principal versus Agent Considerations (Reporting revenue gross versus net)” (“ASU 2016-08”), ASU No. 2016-10, “Identifying Performance Obligations and Licensing” (“ASU 2016-10”), ASU No. 2016-12, “Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients” (“ASU 2016-12”), and ASU No. 2016-20, “Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers” (“ASU 2016-20”). ASU 2016-08, ASU 2016-10, ASU 2016-12 and ASU 2016-20 clarify certain aspects of ASU 2014-09 and provide additional implementation guidance. ASU 2014-09, ASU

2016-08, ASU 2016-10, ASU 2016-12 and ASU 2016-20 (collectively, “ASC 606”) became effective for annual reporting periods (including interim periods within those periods) beginning after December 15, 2017 for public companies. Entities are permitted to adopt ASC 606 using one of two methods: (a) full retrospective adoption, meaning the standard is applied to all periods presented, or (b) modified retrospective adoption, meaning the cumulative effect of applying the new standard is recognized as an adjustment to the opening retained earnings balance.

The Company adopted ASC 606 as of January 1, 2018 using the modified retrospective method. The adoption of ASC 606 did not impact the Company’s revenue recognition for pawn loan fees, consumer loan fees, or credit services fees, as each of these revenue streams is outside of the scope of ASC 606. Further, the Company has not identified any impacts to its consolidated financial statements that were material as a result of the adoption of ASC 606 for its retail merchandise sales or wholesale scrap jewelry sales revenue streams. The Company has not changed the presentation of its consolidated financial statements for assets, liabilities, or revenues from contracts with customers, nor has the Company recognized any cumulative effect adjustment as a result of the adoption of ASC 606.

Table of Contents

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, “Leases (Topic 842)” (“ASU 2016-02”). ASU 2016-02 requires a lessee to recognize, in the statement of financial position, a liability to make lease payments (the lease liability) and a right-to-use asset representing its right to use the underlying asset for the lease term. Leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the income statement. Lessor accounting remains largely unchanged. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within those annual periods, with early adoption permitted. An entity will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Company is currently assessing the potential impact of ASU 2016-02 on its consolidated financial statements.

In June 2016, the Financial Accounting Standards Board issued ASU No. 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”). ASU 2016-13 amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. ASU 2016-13 is effective for public entities for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company is currently assessing the potential impact of ASU 2016-13 on its consolidated financial statements.

In August 2016, the Financial Accounting Standards Board issued ASU No. 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments” (“ASU 2016-15”). ASU 2016-15 clarifies how companies present and classify certain cash receipts and cash payments in the statement of cash flows. ASU 2016-15 addresses eight specific cash flow issues with the objective of reducing existing diversity in practice. ASU 2016-15 became effective for public entities for fiscal years beginning after December 15, 2017. The adoption of ASU 2016-15 did not have a material effect on the Company’s consolidated financial statements or financial statement disclosures.

In January 2017, the Financial Accounting Standards Board issued ASU No. 2017-01, “Business Combinations (Topic 805) - Clarifying the Definition of a Business” (“ASU 2017-01”). ASU 2017-01 provides amendments to clarify the definition of a business and affects all companies and other reporting organizations that must determine whether they have acquired or sold a business. The amendments are intended to help companies and other organizations evaluate whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The guidance became effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years and should be applied prospectively as of the beginning of the period of adoption. The adoption of ASU 2017-01 did not have a material effect on the Company’s current financial position, results of operations or financial statement disclosures.

In January 2017, the Financial Accounting Standards Board issued ASU No. 2017-04, “Intangibles - Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment” (“ASU 2017-04”). These amendments eliminate step 2 from the goodwill impairment test. The amendments also eliminate the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The guidance is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017 and should be adopted on a prospective basis. The Company does not expect ASU 2017-04 to have a material effect on the Company’s current financial position, results of operations or financial statement disclosures.

In March 2018, the Financial Accounting Standards Board issued ASU No 2018-05, “Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118” (“ASU 2018-05”), which became effective immediately. ASU 2018-05 adds various SEC paragraphs pursuant to the issuance of the December 2017 SEC Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (“SAB

118”). See Note 6 for additional information regarding the adoption of ASU 2018-05.

7

---



Table of Contents

## Note 2 - Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share amounts):

	Three Months Ended March 31, 2018    2017	
Numerator:		
Net income	\$41,635	\$32,645
Denominator (in thousands):		
Weighted-average common shares for calculating basic earnings per share	46,426	48,389
Effect of dilutive securities:		
Stock options and nonvested common stock awards	53	13
Weighted-average common shares for calculating diluted earnings per share	46,479	48,402
Net income per share:		
Basic	\$0.90	\$0.67
Diluted	\$0.90	\$0.67

## Note 3 - Acquisitions

Consistent with the Company's strategy to continue its expansion of pawn stores in selected markets, during the three months ended March 31, 2018, the Company acquired 126 stores in Mexico and three single pawn stores located in the U.S. in four separate transactions. The all-cash aggregate purchase price for these acquisitions was \$15.5 million, net of cash acquired and subject to future post-closing adjustments. The purchases were composed of \$13.4 million in cash paid during the three months ended March 31, 2018 and remaining payables to the sellers of approximately \$2.1 million. The purchase price of each acquisition was allocated to assets and liabilities acquired based upon their estimated fair market values at the date of acquisition. The excess purchase price over the estimated fair market value of the net assets acquired and liabilities assumed has been recorded as goodwill. The goodwill arising from these acquisitions consists largely of the synergies and economies of scale expected from combining the operations of the Company and the pawn stores acquired. These acquisitions were not material individually or in the aggregate to the Company's consolidated financial statements.

## Note 4 - Long-Term Debt

The following table details the Company's long-term debt at the respective principal amounts, net of unamortized debt issuance costs (in thousands):

	March 31, 2018    2017		December 31, 2017
Senior unsecured notes:			
5.375% senior notes due 2024 <sup>(1)</sup>	\$295,400	\$—	\$295,243
6.75% senior notes due 2021 <sup>(2)</sup>	—	196,721	—
	\$295,400	\$196,721	\$295,243
Revolving unsecured credit facility, maturing 2022	\$83,000	\$137,000	\$107,000

(1) As of March 31, 2018 and December 31, 2017, deferred debt issuance costs of \$4.6 million and \$4.8 million, respectively, are included as a direct deduction from the carrying amount of the senior unsecured notes due 2024 in the accompanying condensed consolidated balance sheets.

8

---

## Table of Contents

As of March 31, 2017, deferred debt issuance costs of \$3.3 million are included as a direct deduction from the (2) carrying amount of the senior unsecured notes due 2021 in the accompanying condensed consolidated balance sheets.

### Senior Unsecured Notes

On May 30, 2017, the Company issued \$300.0 million of 5.375% senior notes due on June 1, 2024 (the “Notes”), all of which are currently outstanding. Interest on the Notes is payable semi-annually in arrears on June 1 and December 1. The Notes are fully and unconditionally guaranteed on a senior unsecured basis jointly and severally by all of the Company's existing and future domestic subsidiaries that guarantee its primary revolving bank credit facility. The Notes will permit the Company to make restricted payments, such as purchasing shares of its stock and paying cash dividends, in an unlimited amount if, after giving pro forma effect to the incurrence of any indebtedness to make such payment, the Company's consolidated total debt ratio (“Net Debt Ratio”) is less than 2.25 to 1. The Net Debt Ratio is defined generally in the indenture governing the Notes as the ratio of (1) the total consolidated debt of the Company minus cash and cash equivalents of the Company to (2) the Company’s consolidated trailing twelve months EBITDA, as adjusted to exclude certain non-recurring expenses and giving pro forma effect to operations acquired during the measurement period.

### Revolving Credit Facility

At March 31, 2018, the Company maintained a line of credit with a group of U.S. based commercial lenders (the “2016 Credit Facility”) in the amount of \$400.0 million, which matures on September 2, 2022. At March 31, 2018, the Company had \$83.0 million in outstanding borrowings and \$5.1 million in outstanding letters of credit under the 2016 Credit Facility, leaving \$311.9 million available for future borrowings. The 2016 Credit Facility bears interest, at the Company’s option, at either (i) the prevailing London Interbank Offered Rate (“LIBOR”) (with interest periods of 1 week or 1, 2, 3 or 6 months at the Company’s option) plus a fixed spread of 2.5% or (ii) the prevailing prime or base rate plus a fixed spread of 1.5%. The agreement has a LIBOR floor of 0%. Additionally, the Company is required to pay an annual commitment fee of 0.50% on the average daily unused portion of the 2016 Credit Facility commitment. The weighted-average interest rate on amounts outstanding under the 2016 Credit Facility at March 31, 2018 was 4.25% based on 1 week LIBOR. Under the terms of the 2016 Credit Facility, the Company is required to maintain certain financial ratios and comply with certain financial covenants. The 2016 Credit Facility also contains customary restrictions on the Company’s ability to incur additional debt, grant liens, make investments, consummate acquisitions and similar negative covenants with customary carve-outs and baskets. The Company was in compliance with the requirements and covenants of the 2016 Credit Facility as of March 31, 2018. During the three months ended March 31, 2018, the Company made net payments of \$24.0 million pursuant to the 2016 Credit Facility.

### Note 5 - Fair Value of Financial Instruments

The fair value of financial instruments is determined by reference to various market data and other valuation techniques, as appropriate. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The Company’s assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels. The three fair value levels are (from highest to lowest):

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

### Recurring Fair Value Measurements

As of March 31, 2018, 2017 and December 31, 2017, the Company did not have any financial assets or liabilities measured at fair value on a recurring basis.

Fair Value Measurements on a Nonrecurring Basis

The Company measures non-financial assets and liabilities such as property and equipment and intangible assets at fair value on a nonrecurring basis or when events or circumstances indicate that the carrying amount of the assets may be impaired.

Table of Contents

## Financial Assets and Liabilities Not Measured at Fair Value

The Company's financial assets and liabilities as of March 31, 2018, 2017 and December 31, 2017 that are not measured at fair value in the condensed consolidated balance sheets are as follows (in thousands):

	Carrying	Estimated Fair Value			
	Value	Fair Value Measurements			
	March	March	Level 1	Level 2	Level 3
	31,	31,	Using		
	2018	2018	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	\$110,408	\$110,408	\$110,408	\$—	\$—
Pawn loans	322,625	322,625	—	—	322,625
Consumer loans, net	17,447	17,447	—	—	17,447
Fees and service charges receivable	40,022	40,022	—	—	40,022
	\$490,502	\$490,502	\$110,408	\$—	\$380,094
Financial liabilities:					
Revolving unsecured credit facility	\$83,000	\$83,000	\$—	\$83,000	\$—
Senior unsecured notes, outstanding principal	300,000	305,000	—	305,000	—
	\$383,000	\$388,000	\$—	\$388,000	\$—
	Carrying	Estimated Fair Value			
	Value	Fair Value Measurements			
	March	March	Level 1	Level 2	Level 3
	31,	31,	Using		
	2017	2017	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	\$73,148	\$73,148	\$73,148	\$—	\$—
Pawn loans	314,505	314,505	—	—	314,505
Consumer loans, net	22,209	22,209	—	—	22,209
Fees and service charges receivable	38,021	38,021	—	—	38,021
	\$447,883	\$447,883	\$73,148	\$—	\$374,735
Financial liabilities:					
Revolving unsecured credit facility	\$137,000	\$137,000	\$—	\$137,000	\$—
Senior unsecured notes, outstanding principal	200,000	208,000	—	208,000	—
	\$337,000	\$345,000	\$—	\$345,000	\$—

Table of Contents

	Carrying Value	Estimated Fair Value December 31, 2017	Fair Value Measurements Using		
			December 31, 2017	Level 1	Level 2
Financial assets:					
Cash and cash equivalents	\$ 114,423	\$ 114,423	\$ 114,423	\$—	\$—
Pawn loans	344,748	344,748	—	—	344,748
Consumer loans, net	23,522	23,522	—	—	23,522
Fees and service charges receivable	42,736	42,736	—	—	42,736
	\$ 525,429	\$525,429	\$ 114,423	\$—	\$411,006
Financial liabilities:					
Revolving unsecured credit facility	\$ 107,000	\$107,000	\$—	\$107,000	\$—
Senior unsecured notes, outstanding principal	300,000	314,000	—	314,000	—
	\$ 407,000	\$421,000	\$—	\$421,000	\$—

As cash and cash equivalents have maturities of less than three months, the carrying value of cash and cash equivalents approximates fair value. Due to their short-term maturities, the carrying value of pawn loans and fees and service charges receivable approximate fair value. Short-term loans and installment loans, collectively, represent consumer loans, net on the accompanying condensed consolidated balance sheets and are carried net of the allowance for estimated loan losses, which is calculated by applying historical loss rates combined with recent default trends to the gross consumer loan balance. The unobservable inputs used to calculate the fair value of these loans include historical loss rates, recent default trends and estimated remaining loan terms. Therefore, the carrying value approximates the fair value.

The carrying value of the Company's revolving unsecured credit facility approximates fair value as of March 31, 2018, 2017 and December 31, 2017. The fair value of the senior unsecured notes have been estimated based on a discounted cash flow analysis using a discount rate representing the Company's estimate of the rate that would be used by market participants. Changes in assumptions or estimation methodologies may have a material effect on these estimated fair values.

## Note 6 - Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act ("Tax Act") was enacted into law. The Tax Act significantly changed U.S. corporate income tax law by, among other things, reducing the U.S. corporate income tax rate from 35% to 21% starting in 2018 and creating a territorial tax system with a one-time mandatory tax on previously deferred foreign earnings of U.S. corporations.

The Company's effective tax rate for the three months ended March 31, 2018 was 25.4% compared to 37.5%, for the three months ended March 31, 2017. The decrease in the effective tax rate for the three months ended March 31, 2018 reflects the reduced U.S. corporate income tax rate as a result of the passage of the Tax Act blended with the statutory tax rates of the Company's foreign subsidiaries which are 30%, 25% and 30% in Mexico, Guatemala and El Salvador, respectively.

In December 2017, the SEC issued SAB 118 to address concerns about reporting entities' ability to timely comply with the accounting requirements to recognize all of the effects of the Tax Act in the period of enactment. SAB 118 allows disclosure that timely determination of some or all of the income tax effects from the Tax Act are incomplete by the due date of the financial statements and if possible to provide a reasonable estimate. As a result of the Tax Act, the

Company recorded a provisional net income tax benefit of \$27.3 million in fourth quarter of 2017. As of March 31, 2018, no adjustments to the estimates used to determine the provisional net tax benefit have been made. Any adjustments will be included in the provision for income taxes in the reporting period in which any such adjustments are determined, which will be no later than the fourth quarter of 2018. See Note 11 in the accompanying notes to the consolidated financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2017 for further information on the provisional income tax benefit.

Table of Contents

## Note 7 - Segment Information

The Company organizes its operations into two reportable segments as follows:

U.S. operations - Includes all pawn and consumer loan operations in the U.S.

Latin America operations - Includes all pawn and consumer loan operations in Latin America, which currently includes operations in Mexico, Guatemala, El Salvador and Colombia

The following tables present reportable segment information for the three month period ended March 31, 2018 and 2017 (in thousands):

	Three Months Ended March 31, 2018			
	U.S. Operations	Latin America Operations	Corporate	Consolidated
Revenue:				
Retail merchandise sales	\$186,052	\$ 83,789	\$—	\$ 269,841
Pawn loan fees	96,242	33,551	—	129,793
Wholesale scrap jewelry sales	29,457	5,268	—	34,725
Consumer loan and credit services fees	15,039	402	—	15,441
Total revenue	326,790	123,010	—	449,800
Cost of revenue:				
Cost of retail merchandise sold	120,616	53,881	—	174,497
Cost of wholesale scrap jewelry sold	27,653	4,842	—	32,495
Consumer loan and credit services loss provision	3,644	83	—	3,727
Total cost of revenue	151,913	58,806	—	210,719
Net revenue	174,877	64,204	—	239,081
Expenses and other income:				
Store operating expenses	104,383	34,178	—	138,561
Administrative expenses	—	—	28,002	28,002
Depreciation and amortization	5,555	2,709	3,019	11,283
Interest expense	—	—	6,198	6,198
Interest income	—	—	(981)	(981)
Merger and other acquisition expenses	—	—	239	239
Total expenses and other income	109,938	36,887	36,477	183,302
Income (loss) before income taxes	\$64,939	\$ 27,317	\$(36,477)	\$ 55,779



Table of Contents

Three Months Ended March 31, 2017

	U.S. Operations	Latin America Operations	Corporate	Consolidated
Revenue:				
Retail merchandise sales	\$ 193,666	\$ 66,328	\$ —	\$ 259,994
Pawn loan fees	101,818	26,433	—	128,251
Wholesale scrap jewelry sales	32,897	5,214	—	38,111
Consumer loan and credit services fees	20,815	405	—	21,220