

EZCORP INC

FORM 8-K (Current report filing)

Filed 08/01/18 for the Period Ending 08/01/18

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| Address | 2500 BEE CAVE ROAD BUILDING 1, SUITE 200 AUSTIN, TX, 78746 |
| Telephone | 5123143444 |
| CIK | 0000876523 |
| Symbol | EZPW |
| SIC Code | 5900 - Retail-Miscellaneous Retail |
| Industry | Consumer Lending |
| Sector | Financials |
| Fiscal Year | 09/30 |

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): August 1, 2018 (August 1, 2018)

EZCORP, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

0-19424
(Commission
File Number)

74-2540145
(IRS Employer
Identification No.)

2500 Bee Cave Road, Bldg One, Suite 200, Rollingwood, Texas 78746
(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: (512) 314-3400

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02 — Results of Operations and Financial Condition

On August 1, 2018, EZCORP, Inc. issued a press release announcing its results of operations and financial condition for the quarter ended June 30, 2018. A copy of that press release is attached as Exhibit 99.1.

In addition to the financial information prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP"), we provide certain other non-GAAP financial information on a constant currency basis ("constant currency") and on an adjusted basis. We use constant currency results to evaluate our Latin America Pawn operations, which are denominated primarily in Mexican pesos and other Latin American currencies. As Camira Administration Corp. and subsidiaries GPMX was not acquired until fiscal 2018, such results included on a constant currency basis reflect the actual exchange rates in effect during the three and nine months ended June 30, 2018 without adjustment. We believe that presentation of constant currency results is meaningful and useful in understanding the activities and business metrics of our Latin America Pawn operations and reflect an additional way of viewing aspects of our business that, when viewed with GAAP results, provide a more complete understanding of factors and trends affecting our business. We believe that presentation of results on an adjusted basis is meaningful and useful in understanding the activities and business metrics of our operations and reflect an additional way of viewing aspects of our business that, when viewed with GAAP results, provide a more complete understanding of factors and trends affecting our business. We provide non-GAAP financial information for informational purposes and to enhance understanding of our GAAP consolidated financial statements. We use this non-GAAP financial information to evaluate and compare operating results across accounting periods. Readers should consider the information in addition to, but not instead of or superior to, our financial statements prepared in accordance with GAAP. This non-GAAP financial information may be determined or calculated differently by other companies, limiting the usefulness of those measures for comparative purposes.

The information set forth under this Item 2.02, including Exhibit 99.1, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, and shall not be deemed to be incorporated by reference in any filing made by EZCORP under the Securities Act of 1933 or the Securities Exchange Act of 1934.

Item 7.01 — Regulation FD Disclosure

A copy of the presentation materials that management will review during the Company's third quarter 2018 earnings conference call (to be held on August 2, 2018) will be posted in the Investor Relations section of the Company's website at www.ezcorp.com.

Item 9.01 — Financial Statements and Exhibits

(d) Exhibits.

[99.1 Press Release, dated August 1, 2018, announcing EZCORP, Inc.'s results of operations and financial condition for the quarter ended June 30, 2018.](#)

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 hereunto duly authorized.

Date: August 1, 2018

EZCORP, INC.

By: /s/ David McGuire
David McGuire
Deputy Chief Financial Officer and Chief Accounting Officer



EZCORP Reports 163% Increase in Third Quarter Net Income Up 27% on an Adjusted Basis

Austin, Texas (August 1, 2018) - EZCORP, Inc. (NASDAQ: EZPW), a leading provider of pawn loans in the United States and Latin America, today announced results for its third quarter ended June 30, 2018.

All amounts in this release are from EZCORP continuing operations and in conformity with U.S. generally accepted accounting principles ("GAAP") unless otherwise noted. Comparisons in this release are to the same period in the prior year unless otherwise noted.

HIGHLIGHTS FOR THIRD QUARTER OF FISCAL 2018

- **Net income increased 163% to \$14.5 million , and basic earnings per share increased 170% to \$0.27** - Included in the quarter is a \$5.2 million pre-tax gain on litigation settlement and an unrelated \$3.3 million tax benefit. Adjusting for these and other discrete items ¹, net income increased by 27% , representing a strong operating result and the 10th consecutive quarter of year-over-year (YOY) growth in both net income and earnings per share (EPS).
- **Latin America Pawn accelerates earnings growth** - Contribution from the Latin America Pawn segment increased 63% to \$8.8 million on a 102% increase in pawn loans outstanding (PLO) to \$39.3 million , driven by the contribution from acquired stores. Same store PLO led the industry, down 2% (up 8% on a constant currency basis ²), following 16% growth (13% on a constant currency basis) in the prior year quarter. Latin America Pawn now comprises 47% of the company's total consolidated pawn stores and produced 29% of consolidated pawn contribution in the current quarter, up from 18% in the prior year quarter.
- **U.S. Pawn continues its significant earnings and cash flow contribution with industry leading returns** - Industry-high PLO per store of \$282,000 and monthly pawn loan yield of 14% combined to drive 33% higher pawn service charges (PSC) per store compared to the industry. U.S. Pawn achieved a 4% higher sales gross profit YOY and industry leading margins of 38% , up 110bps, while reducing inventory balances by \$9.2 million in the quarter. The U.S. Pawn segment contributed \$21.4 million of profit before tax as it continues recovery from the impact of Hurricanes Harvey and Irma.
- **Consolidated PLO increased 9%** - Total consolidated PLO grew 9% and PSC increased 11% , including acquired stores. Same store PLO was 2% lower (increased 8% on a constant currency basis) in the fast growing Latin America Pawn segment, marking the segment's 17th consecutive quarter of same store PLO growth on a constant currency basis.
- **Liquidity strengthened** - Cash and cash equivalents increased 151% to \$285.0 million . A convertible debt issuance in the current quarter raised \$167.0 million of net proceeds, significantly increasing liquidity and the company's ability to capitalize on attractive acquisition opportunities.

In June 2018, the company expanded its store presence in the Latin America pawn market by acquiring 63 pawn stores in Mexico City and the surrounding states in two separate transactions, for total cash consideration of \$30.2 million. The acquisitions are expected to provide earnings accretion in their first full quarter ending September 30, 2018.

CEO COMMENTARY AND OUTLOOK

Chief Executive Officer Stuart Grimshaw said, "We delivered significantly higher net revenues and net income in the quarter relative to the same quarter last year, and continued strengthening our balance sheet and liquidity position.

"Our strong organic growth and successful pawn store acquisitions continue in high-growth Latin America. The segment's net revenue and profit before tax increased 67% and 63% on a GAAP basis and 73% and 66% on a constant currency basis. We acquired 63 pawn stores in Mexico in the third quarter, bringing our year-to-date Latin America pawn store additions to 205 through acquisition and store openings. That represents an 83% increase in our Latin America store count since the beginning

of the fiscal year, reaching 451 stores. It also provides strategic positions for further penetration and expansion in existing and adjacent geographical areas.

“In the U.S. Pawn segment, our disciplined approach to pawn lending delivered industry leading PLO, PLO yield and PSC per store. Effective inventory management initiatives almost doubled inventory reduction relative to the prior year quarter while, at the same time, delivering industry high sales and sales gross profit per store. Merchandise margin increased 110bps to an industry leading 38% , while inventory turns accelerated to 2.1 x from 1.9x in the immediately preceding quarter. The segment's net revenues were flat to the prior year quarter and pre-tax contribution was down 10% , reflecting the continuing impact of last year's hurricanes and higher expenses that included investments made to enhance customer experience and drive future profit improvement.

“We have a strong and proven focus on delivering an outstanding customer experience and meeting our customers' need for cash, which drives our industry-leading store operating performance. We continue to invest in our core pawn business, and with our strong cash position, we will open and acquire more pawn stores, particularly in Latin America, to further expand our diversified, multi-country earnings platform. We are confident that both of these strategies will continue to drive long-term shareholder value.”

CONSOLIDATED RESULTS

- Net income increased 163% to \$14.5 million . This reflects the successful pawn store acquisitions and strong organic growth in Latin America, as well as a \$5.2 million pre-tax gain on litigation settlement and an unrelated discrete tax benefit of \$3.3 million.
- A 9% increase in PLO led to an 11% improvement in PSC and a 9% improvement in net revenues to \$115.1 million (up 10% to \$115.8 million on a constant currency basis). Consolidated sales gross profit improved 7% to \$37.8 million on a 7% rise in merchandise sales, while sales margins remained flat at 36% . On a constant currency basis, PSC expanded 11% and merchandise sales grew 8% .
- Expenses rose 12% to \$83.0 million (up 12% to \$83.5 million on a constant currency basis) due primarily to acquired stores. The increase also reflects an increased number of team members per store, as well as other investments made in U.S. stores to enhance customer experience and drive future profit growth.
- Cash and cash equivalents at the end of the quarter improved 151% to \$285.0 million . During the quarter, the company enhanced liquidity through completion of a \$172.5 million offering of convertible senior notes due 2025, yielding net proceeds of \$167.0 million. Year-to-date, the company has collected \$20.7 million in principal and interest, as scheduled, on the notes receivable related to the sale of Grupo Finmart in September 2016.
- Basic EPS jumped 170% to \$0.27 and diluted EPS rose 150% to \$0.25 . On an adjusted basis ¹ , basic EPS was \$0.15 (up 25%) and diluted EPS was \$0.14 (up 17%). The fully diluted shares calculation includes the hypothetical conversion of our convertible notes to the extent the company's average share price in the quarter exceeded the conversion price on the notes. However, the 2019 convertible notes must be settled in cash and the company may choose to satisfy all or some of its 2024 and 2025 convertible notes with cash rather than shares to minimize actual share dilution.

SEGMENT RESULTS

U.S. Pawn

- Delivered industry high PLO, PLO yield and PSC per store, driven by disciplined lending practices and a focus on meeting customers' need for cash. Same store PLO declined 3% including stores affected by the hurricanes. In unaffected stores, same store PLO declined 1% .
 - Effective inventory management reduced inventory by almost 7%, or \$9.2 million in the quarter, simultaneously delivering industry leading sales and sales gross profit per store. Merchandise margins increased 110bps to an industry high 38% .
 - Net revenues were flat and pre-tax contribution was down 10% to \$21.4 million , reflecting the PSC impact of last year's hurricanes on PLO, as well as higher expenses. Expenses reflect an increased number of team members per store and other investments to enhance customer experience and drive future profit growth.
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Latin America Pawn

- The Latin America segment again delivered outstanding growth. Its contribution increased 63% to \$8.8 million (up 66% to \$9.0 million on a constant currency basis).
- Pawn store count expanded 83% year-to-date, including 63 stores acquired in the third quarter. Ten new stores have been opened fiscal year-to-date, including two in the third quarter.
- The company believes there is significant opportunity for growth and profit enhancement in the acquired stores by increasing focus on general merchandise pawn loan and retail activities and implementing EZCORP's systems and operating practices. The company continues to see a robust pipeline of acquisition opportunities in Latin America.
- Segment operations expenses increased to 63% of net revenues from 62% in the prior-year quarter, primarily due to acquired stores.
- PLO rose 102% to \$39.3 million (up 116% to \$41.9 million on a constant currency basis). Same store PLO was 2% lower (increased 8% on a constant currency basis).
- Net revenues expanded 67% to \$24.1 million (up 73% to \$24.9 million on a constant currency basis), and PSC increased 90% to \$17.3 million (up 95% to \$17.8 million on a constant currency basis), reflecting the significantly higher PLO.
- Merchandise sales improved 37% in total and were up 5% on a same store basis (up 42% in total and up 11% in same stores on a constant currency basis).

CONFERENCE CALL & WEBCAST INFORMATION

EZCORP will host a conference call on Thursday, August 2, 2018, at 7:30am Central Time to discuss third quarter results. Analysts and institutional investors may participate on the conference call by dialing (877) 201-0168, Conference ID: 9691918, or internationally by dialing (647) 788-4901. The conference call will be webcast simultaneously to the public through this link: <http://investors.ezcorp.com/>. A replay of the conference call will be available online at <http://investors.ezcorp.com/> shortly after the call ends.

ABOUT EZCORP

Formed in 1989, EZCORP has grown into a leading provider of pawn loans in the United States and Latin America. It also sells merchandise, primarily collateral forfeited from pawn lending operations and used merchandise purchased from customers. We are dedicated to satisfying the short-term cash needs of consumers who are both cash and credit constrained, focusing on an industry-leading customer experience. EZCORP is traded on NASDAQ under the symbol EZPW and is a member of the Russell 2000 Index, S&P SmallCap 600 Index, S&P 1000 Index and Nasdaq Composite Index.

FORWARD LOOKING STATEMENTS

This announcement contains certain forward-looking statements regarding the company's strategy, initiatives and expected performance. These statements are based on the company's current expectations as to the outcome and timing of future events. All statements, other than statements of historical facts, including all statements regarding the company's strategy, initiatives and future performance, that address activities or results that the company plans, expects, believes, projects, estimates or anticipates, will, should or may occur in the future, including future financial or operating results, are forward-looking statements. Actual results for future periods may differ materially from those expressed or implied by these forward-looking statements due to a number of uncertainties and other factors, including operating risks, liquidity risks, legislative or regulatory developments, market factors or current or future litigation. For a discussion of these and other factors affecting the company's business and prospects, see the company's annual, quarterly and other reports filed with the Securities and Exchange Commission. The company undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time.

Contact:

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All industry comparisons are based on available information from similar publicly traded companies.

¹ Adjusted basis, which is a non-GAAP measure, excludes certain items. For additional information about these calculations, as well as a reconciliation to the comparable GAAP financial measures, see "Non-GAAP Financial Information" at the end of this release.

² "Constant currency" basis, which is a non-GAAP measure, excludes the impact of foreign currency exchange rate fluctuations. For additional information about these calculations, as well as a reconciliation to the comparable GAAP financial measures, see "Non-GAAP Financial Information" at the end of this release.

EZCORP, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|-----------------|----------------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| | (Unaudited) | | | |
| | <i>(in thousands, except per share amounts)</i> | | | |
| Revenues: | | | | |
| Merchandise sales | \$ 104,737 | \$ 97,921 | \$ 333,270 | \$ 319,672 |
| Jewelry scrapping sales | 20,428 | 17,641 | 44,166 | 37,658 |
| Pawn service charges | 72,874 | 65,878 | 223,601 | 201,983 |
| Other revenues | 1,903 | 2,193 | 6,147 | 6,572 |
| Total revenues | <u>199,942</u> | <u>183,633</u> | <u>607,184</u> | <u>565,885</u> |
| Merchandise cost of goods sold | 66,896 | 62,615 | 210,283 | 204,840 |
| Jewelry scrapping cost of goods sold | 17,625 | 15,010 | 37,536 | 32,195 |
| Other cost of revenues | 349 | 453 | 1,273 | 1,433 |
| Net revenues | <u>115,072</u> | <u>105,555</u> | <u>358,092</u> | <u>327,417</u> |
| Operating expenses: | | | | |
| Operations | 83,032 | 74,246 | 248,802 | 226,352 |
| Administrative | 13,268 | 14,095 | 39,927 | 41,305 |
| Depreciation and amortization | 6,124 | 5,843 | 18,298 | 18,246 |
| Loss on sale or disposal of assets | 314 | 17 | 453 | 11 |
| Total operating expenses | <u>102,738</u> | <u>94,201</u> | <u>307,480</u> | <u>285,914</u> |
| Operating income | 12,334 | 11,354 | 50,612 | 41,503 |
| Interest expense | 7,394 | 5,654 | 19,070 | 16,847 |
| Interest income | (4,358) | (2,053) | (12,896) | (6,909) |
| Equity in net income of unconsolidated affiliate | (1,151) | (1,047) | (3,477) | (3,768) |
| Other income | (5,287) | (99) | (5,473) | (294) |
| Income from continuing operations before income taxes | <u>15,736</u> | <u>8,899</u> | <u>53,388</u> | <u>35,627</u> |
| Income tax expense | 1,553 | 3,432 | 14,911 | 13,663 |
| Income from continuing operations, net of tax | <u>14,183</u> | <u>5,467</u> | <u>38,477</u> | <u>21,964</u> |
| Loss (income) from discontinued operations, net of tax | 91 | (265) | (631) | (1,868) |
| Net income | <u>14,274</u> | <u>5,202</u> | <u>37,846</u> | <u>20,096</u> |
| Net loss attributable to noncontrolling interest | (359) | (58) | (1,348) | (352) |
| Net income attributable to EZCORP, Inc. | <u>\$ 14,633</u> | <u>\$ 5,260</u> | <u>\$ 39,194</u> | <u>\$ 20,448</u> |
| Basic earnings per share attributable to EZCORP, Inc. — continuing operations | \$ 0.27 | \$ 0.10 | \$ 0.73 | \$ 0.41 |
| Diluted earnings per share attributable to EZCORP, Inc. — continuing operations | \$ 0.25 | \$ 0.10 | \$ 0.70 | \$ 0.41 |
| Weighted-average basic shares outstanding | 54,464 | 54,295 | 54,453 | 54,247 |
| Weighted-average diluted shares outstanding | 57,954 | 54,367 | 57,080 | 54,310 |

EZCORP, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

| | June 30, 2018 | June 30, 2017 | September 30, 2017 |
|---|------------------|------------------|-----------------------|
| | (Unaudited) | | |
| Assets: | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 285,031 | \$ 113,729 | \$ 164,393 |
| Pawn loans | 183,054 | 168,262 | 169,242 |
| Pawn service charges receivable, net | 33,388 | 30,585 | 31,548 |
| Inventory, net | 151,145 | 135,053 | 154,411 |
| Notes receivable, net | 37,906 | 22,024 | 32,598 |
| Prepaid expenses and other current assets | 43,448 | 31,993 | 28,765 |
| Total current assets | 733,972 | 501,646 | 580,957 |
| Investment in unconsolidated affiliate | 61,056 | 41,725 | 43,319 |
| Property and equipment, net | 71,587 | 53,022 | 57,959 |
| Goodwill | 292,544 | 254,469 | 254,760 |
| Intangible assets, net | 59,678 | 32,551 | 32,420 |
| Non-current notes receivable, net | 13,432 | 41,253 | 28,377 |
| Deferred tax asset, net | 4,269 | 36,506 | 16,856 |
| Other assets, net | 3,575 | 9,145 | 9,715 |
| Total assets | \$ 1,240,113 | \$ 970,317 | \$ 1,024,363 |
| Liabilities and equity: | | | |
| Current liabilities: | | | |
| Current maturities of long-term debt, net | \$ 195,796 | \$ — | \$ — |
| Accounts payable, accrued expenses and other current liabilities | 61,813 | 64,830 | 61,543 |
| Customer layaway deposits | 11,938 | 11,091 | 11,032 |
| Total current liabilities | 269,547 | 75,921 | 72,575 |
| Long-term debt, net | 222,897 | 260,414 | 284,807 |
| Other long-term liabilities | 11,111 | 9,680 | 7,055 |
| Total liabilities | 503,555 | 346,015 | 364,437 |
| Commitments and contingencies | | | |
| Stockholders' equity: | | | |
| Class A Non-voting Common Stock, par value \$.01 per share; shares authorized: 100 million; issued and outstanding: 51,494,246 as of June 30, 2018; 51,326,582 as of June 30, 2017; and 51,427,832 as of September 30, 2017 | 515 | 513 | 514 |
| Class B Voting Common Stock, convertible, par value \$.01 per share; shares authorized: 3 million; issued and outstanding: 2,970,171 | 30 | 30 | 30 |
| Additional paid-in capital | 395,428 | 322,559 | 348,532 |
| Retained earnings | 392,315 | 340,256 | 351,666 |
| Accumulated other comprehensive loss | (48,040) | (37,921) | (38,367) |
| EZCORP, Inc. stockholders' equity | 740,248 | 625,437 | 662,375 |
| Noncontrolling interest | (3,690) | (1,135) | (2,449) |
| Total equity | 736,558 | 624,302 | 659,926 |
| Total liabilities and equity | \$ 1,240,113 | \$ 970,317 | \$ 1,024,363 |

EZCORP, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Nine Months Ended June 30, | |
|--|-----------------------------------|-------------|
| | 2018 | 2017 |
| | (Unaudited) | |
| | <i>(in thousands)</i> | |
| Operating activities: | | |
| Net income | \$ 37,846 | \$ 20,096 |
| Adjustments to reconcile net income to net cash flows from operating activities: | | |
| Depreciation and amortization | 18,298 | 18,246 |
| Amortization of debt discount and deferred financing costs | 12,126 | 8,595 |
| Accretion of notes receivable discount and deferred compensation fee | (7,222) | (2,898) |
| Deferred income taxes | 3,135 | (871) |
| Other adjustments | 1,948 | 1,397 |
| Stock compensation expense | 8,216 | 5,145 |
| Income from investment in unconsolidated affiliate | (3,477) | (3,768) |
| Changes in operating assets and liabilities, net of business acquisitions: | | |
| Service charges and fees receivable | 1,601 | 604 |
| Inventory | 988 | 1,470 |
| Prepaid expenses, other current assets and other assets | (3,617) | 6,808 |
| Accounts payable, accrued expenses and other liabilities | (4,313) | (29,464) |
| Customer layaway deposits | 935 | 288 |
| Income taxes, net of excess tax benefit from stock compensation | 2,586 | 9,873 |
| Net cash provided by operating activities | 69,050 | 35,521 |
| Investing activities: | | |
| Loans made | (512,914) | (472,676) |
| Loans repaid | 318,636 | 288,833 |
| Recovery of pawn loan principal through sale of forfeited collateral | 202,078 | 187,819 |
| Additions to property and equipment and capitalized labor, net | (33,917) | (14,887) |
| Acquisitions, net of cash acquired | (93,165) | — |
| Investment in unconsolidated affiliate | (14,036) | — |
| Principal collections on notes receivable | 16,210 | 23,336 |
| Net cash (used in) provided by investing activities | (117,108) | 12,425 |
| Financing activities: | | |
| Taxes paid related to net share settlement of equity awards | (311) | (767) |
| Proceeds from borrowings, net of issuance costs and other | 170,468 | — |
| Net cash provided by (used in) financing activities | 170,157 | (767) |
| Effect of exchange rate changes on cash and cash equivalents | (1,461) | 813 |
| Net increase in cash and cash equivalents | 120,638 | 47,992 |
| Cash and cash equivalents at beginning of period | 164,393 | 65,737 |
| Cash and cash equivalents at end of period | \$ 285,031 | \$ 113,729 |

EZCORP, Inc.
OPERATING SEGMENT RESULTS (UNAUDITED)

Three Months Ended June 30, 2018

| | U.S. Pawn | Latin America Pawn | Other International | Total Segments | Corporate Items | Consolidated |
|---|-----------------------|-----------------------------------|--------------------------------|-----------------------|----------------------------|---------------------|
| | <i>(in thousands)</i> | | | | | |
| Revenues: | | | | | | |
| Merchandise sales | \$ 83,898 | \$ 20,839 | \$ — | \$ 104,737 | \$ — | \$ 104,737 |
| Jewelry scrapping sales | 17,813 | 2,615 | — | 20,428 | — | 20,428 |
| Pawn service charges | 55,620 | 17,254 | — | 72,874 | — | 72,874 |
| Other revenues | 55 | 245 | 1,603 | 1,903 | — | 1,903 |
| Total revenues | 157,386 | 40,953 | 1,603 | 199,942 | — | 199,942 |
| Merchandise cost of goods sold | 52,340 | 14,556 | — | 66,896 | — | 66,896 |
| Jewelry scrapping cost of goods sold | 15,329 | 2,296 | — | 17,625 | — | 17,625 |
| Other cost of revenues | — | — | 349 | 349 | — | 349 |
| Net revenues | 89,717 | 24,101 | 1,254 | 115,072 | — | 115,072 |
| Segment and corporate expenses (income): | | | | | | |
| Operations | 65,257 | 15,097 | 2,678 | 83,032 | — | 83,032 |
| Administrative | — | — | — | — | 13,268 | 13,268 |
| Depreciation and amortization | 3,010 | 951 | 48 | 4,009 | 2,115 | 6,124 |
| Loss on sale or disposal of assets | 74 | 26 | — | 100 | 214 | 314 |
| Interest expense | — | 3 | — | 3 | 7,391 | 7,394 |
| Interest income | — | (672) | — | (672) | (3,686) | (4,358) |
| Equity in net income of unconsolidated affiliate | — | — | (1,151) | (1,151) | — | (1,151) |
| Other income | — | (103) | — | (103) | (5,184) | (5,287) |
| Segment contribution (loss) | \$ 21,376 | \$ 8,799 | \$ (321) | \$ 29,854 | | |
| Income from continuing operations before income taxes | | | | \$ 29,854 | \$ (14,118) | \$ 15,736 |

EZCORP, Inc.
OPERATING SEGMENT RESULTS (UNAUDITED)

Three Months Ended June 30, 2017

| | U.S. Pawn | Latin America Pawn | Other International | Total Segments | Corporate Items | Consolidated |
|---|-----------------------|--------------------------|------------------------|----------------|--------------------|--------------|
| | <i>(in thousands)</i> | | | | | |
| Revenues: | | | | | | |
| Merchandise sales | \$ 82,714 | \$ 15,207 | \$ — | \$ 97,921 | \$ — | \$ 97,921 |
| Jewelry scrapping sales | 17,257 | 384 | — | 17,641 | — | 17,641 |
| Pawn service charges | 56,774 | 9,104 | — | 65,878 | — | 65,878 |
| Other revenues | 50 | 179 | 1,964 | 2,193 | — | 2,193 |
| Total revenues | 156,795 | 24,874 | 1,964 | 183,633 | — | 183,633 |
| Merchandise cost of goods sold | 52,488 | 10,127 | — | 62,615 | — | 62,615 |
| Jewelry scrapping cost of goods sold | 14,674 | 336 | — | 15,010 | — | 15,010 |
| Other cost of revenues | — | — | 453 | 453 | — | 453 |
| Net revenues | 89,633 | 14,411 | 1,511 | 105,555 | — | 105,555 |
| Segment and corporate expenses (income): | | | | | | |
| Operations | 63,593 | 8,898 | 1,755 | 74,246 | — | 74,246 |
| Administrative | — | — | — | — | 14,095 | 14,095 |
| Depreciation and amortization | 2,210 | 619 | 44 | 2,873 | 2,970 | 5,843 |
| Loss (gain) on sale or disposal of assets | 20 | (3) | — | 17 | — | 17 |
| Interest expense | — | 2 | — | 2 | 5,652 | 5,654 |
| Interest income | — | (480) | — | (480) | (1,573) | (2,053) |
| Equity in net income of unconsolidated affiliate | — | — | (1,047) | (1,047) | — | (1,047) |
| Other income | (5) | (24) | (68) | (97) | (2) | (99) |
| Segment contribution | \$ 23,815 | \$ 5,399 | \$ 827 | \$ 30,041 | | |
| Income from continuing operations before income taxes | | | | \$ 30,041 | \$ (21,142) | \$ 8,899 |

EZCORP, Inc.
OPERATING SEGMENT RESULTS (UNAUDITED)

Nine Months Ended June 30, 2018

| | U.S. Pawn | Latin America Pawn | Other International | Total Segments | Corporate Items | Consolidated |
|---|-----------------------|-----------------------|------------------------|-------------------|--------------------|------------------|
| | <i>(in thousands)</i> | | | | | |
| Revenues: | | | | | | |
| Merchandise sales | \$ 270,145 | \$ 63,125 | \$ — | \$ 333,270 | \$ — | \$ 333,270 |
| Jewelry scrapping sales | 34,515 | 9,651 | — | 44,166 | — | 44,166 |
| Pawn service charges | 174,439 | 49,162 | — | 223,601 | — | 223,601 |
| Other revenues | 205 | 588 | 5,354 | 6,147 | — | 6,147 |
| Total revenues | 479,304 | 122,526 | 5,354 | 607,184 | — | 607,184 |
| Merchandise cost of goods sold | 166,965 | 43,318 | — | 210,283 | — | 210,283 |
| Jewelry scrapping cost of goods sold | 28,683 | 8,853 | — | 37,536 | — | 37,536 |
| Other cost of revenues | — | — | 1,273 | 1,273 | — | 1,273 |
| Net revenues | 283,656 | 70,355 | 4,081 | 358,092 | — | 358,092 |
| Segment and corporate expenses (income): | | | | | | |
| Operations | 196,748 | 44,778 | 7,276 | 248,802 | — | 248,802 |
| Administrative | — | — | — | — | 39,927 | 39,927 |
| Depreciation and amortization | 9,340 | 2,712 | 142 | 12,194 | 6,104 | 18,298 |
| Loss on sale or disposal of assets | 197 | 31 | — | 228 | 225 | 453 |
| Interest expense | — | 6 | — | 6 | 19,064 | 19,070 |
| Interest income | — | (2,072) | — | (2,072) | (10,824) | (12,896) |
| Equity in net income of unconsolidated affiliate | — | — | (3,477) | (3,477) | — | (3,477) |
| Other (income) expense | (3) | 11 | (118) | (110) | (5,363) | (5,473) |
| Segment contribution | <u>\$ 77,374</u> | <u>\$ 24,889</u> | <u>\$ 258</u> | <u>\$ 102,521</u> | | |
| Income from continuing operations before income taxes | | | | <u>\$ 102,521</u> | <u>\$ (49,133)</u> | <u>\$ 53,388</u> |

EZCORP, Inc.
OPERATING SEGMENT RESULTS (UNAUDITED)

Nine Months Ended June 30, 2017

| | U.S. Pawn | Latin America Pawn | Other International | Total Segments | Corporate Items | Consolidated |
|---|-----------------------|-----------------------|------------------------|------------------|--------------------|------------------|
| | <i>(in thousands)</i> | | | | | |
| Revenues: | | | | | | |
| Merchandise sales | \$ 273,125 | \$ 46,547 | \$ — | \$ 319,672 | \$ — | \$ 319,672 |
| Jewelry scrapping sales | 35,158 | 2,500 | — | 37,658 | — | 37,658 |
| Pawn service charges | 177,480 | 24,503 | — | 201,983 | — | 201,983 |
| Other revenues | 157 | 457 | 5,958 | 6,572 | — | 6,572 |
| Total revenues | 485,920 | 74,007 | 5,958 | 565,885 | — | 565,885 |
| Merchandise cost of goods sold | 173,235 | 31,605 | — | 204,840 | — | 204,840 |
| Jewelry scrapping cost of goods sold | 30,114 | 2,081 | — | 32,195 | — | 32,195 |
| Other cost of revenues | — | — | 1,433 | 1,433 | — | 1,433 |
| Net revenues | 282,571 | 40,321 | 4,525 | 327,417 | — | 327,417 |
| Segment and corporate expenses (income): | | | | | | |
| Operations | 194,499 | 26,439 | 5,414 | 226,352 | — | 226,352 |
| Administrative | — | — | — | — | 41,305 | 41,305 |
| Depreciation and amortization | 7,487 | 1,910 | 144 | 9,541 | 8,705 | 18,246 |
| Loss (gain) on sale or disposal of assets | (54) | 65 | — | 11 | — | 11 |
| Interest expense | — | 7 | — | 7 | 16,840 | 16,847 |
| Interest income | — | (889) | — | (889) | (6,020) | (6,909) |
| Equity in net income of unconsolidated affiliate | — | — | (3,768) | (3,768) | — | (3,768) |
| Other income | (14) | (61) | (28) | (103) | (191) | (294) |
| Segment contribution | <u>\$ 80,653</u> | <u>\$ 12,850</u> | <u>\$ 2,763</u> | <u>\$ 96,266</u> | | |
| Income from continuing operations before income taxes | | | | <u>\$ 96,266</u> | <u>\$ (60,639)</u> | <u>\$ 35,627</u> |

EZCORP, Inc.
STORE COUNT ACTIVITY (UNAUDITED)

| | Three Months Ended June 30, 2018 | | | |
|------------------------------------|---|---------------------------|----------------------------|---------------------|
| | U.S. Pawn | Latin America Pawn | Other International | Consolidated |
| As of March 31, 2018 | 510 | 387 | 27 | 924 |
| New locations opened | — | 2 | — | 2 |
| Locations acquired | — | 63 | — | 63 |
| Locations sold, combined or closed | — | (1) | — | (1) |
| As of June 30, 2018 | <u>510</u> | <u>451</u> | <u>27</u> | <u>988</u> |
| | Three Months Ended June 30, 2017 | | | |
| | U.S. Pawn | Latin America Pawn | Other International | Consolidated |
| As of March 31, 2017 | 517 | 240 | 27 | 784 |
| New locations opened | — | 4 | — | 4 |
| Locations sold, combined or closed | (2) | — | — | (2) |
| As of June 30, 2017 | <u>515</u> | <u>244</u> | <u>27</u> | <u>786</u> |
| | Nine Months Ended June 30, 2018 | | | |
| | U.S. Pawn | Latin America Pawn | Other International | Consolidated |
| As of September 30, 2017 | 513 | 246 | 27 | 786 |
| New locations opened | — | 10 | — | 10 |
| Locations acquired | — | 196 | — | 196 |
| Locations sold, combined or closed | (3) | (1) | — | (4) |
| As of June 30, 2018 | <u>510</u> | <u>451</u> | <u>27</u> | <u>988</u> |
| | Nine Months Ended June 30, 2017 | | | |
| | U.S. Pawn | Latin America Pawn | Other International | Consolidated |
| As of September 30, 2016 | 520 | 239 | 27 | 786 |
| New locations opened | — | 6 | — | 6 |
| Locations sold, combined or closed | (5) | (1) | — | (6) |
| As of June 30, 2017 | <u>515</u> | <u>244</u> | <u>27</u> | <u>786</u> |

Non-GAAP Financial Information (Unaudited)

In addition to the financial information prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP"), we provide certain other non-GAAP financial information on a constant currency basis ("constant currency") and on an adjusted basis. We use constant currency results to evaluate our Latin America Pawn operations, which are denominated primarily in Mexican pesos and other Latin American currencies. As GPMX was not acquired until fiscal 2018, such results included on a constant currency basis reflect the actual exchange rates in effect during the three and nine months ended June 30, 2018 without adjustment. We believe that presentation of constant currency results is meaningful and useful in understanding the activities and business metrics of our Latin America Pawn operations and reflect an additional way of viewing aspects of our business that, when viewed with GAAP results, provide a more complete understanding of factors and trends affecting our business. We believe that presentation of results on an adjusted basis is meaningful and useful in understanding the activities and business metrics of our operations and reflect an additional way of viewing aspects of our business that, when viewed with GAAP results, provide a more complete understanding of factors and trends affecting our business. We provide non-GAAP financial information for informational purposes and to enhance understanding of our GAAP consolidated financial statements. We use this non-GAAP financial information to evaluate and compare operating results across accounting periods. Readers should consider the information in addition to, but not instead of or superior to, our financial statements prepared in accordance with GAAP. This non-GAAP financial information may be determined or calculated differently by other companies, limiting the usefulness of those measures for comparative purposes.

Constant currency results reported herein are calculated by translating consolidated balance sheet and consolidated statement of operations items denominated in Mexican pesos to U.S. dollars using the exchange rate from the prior-year comparable period, as opposed to the current period, in order to exclude the effects of foreign currency rate fluctuations. We used the end-of-period rate for balance sheet items and the average closing daily exchange rate on a monthly basis during the appropriate period for statement of operations items. The end-of-period Mexican peso to U.S. dollar exchange rate as of June 30, 2018 and 2017 was 19.9 to 1 and 18.0 to 1, respectively. The approximate average Mexican peso to U.S. dollar exchange rate for the three months ended June 30, 2018 and 2017 was 19.4 to 1 and 18.6 to 1, respectively. The approximate average Mexican peso to U.S. dollar exchange rate for the nine months ended June 30, 2018 and 2017 was 19.0 to 1 and 19.5 to 1, respectively.

Our statement of operations constant currency results reflect the monthly exchange rate fluctuations and so are not directly calculable from the above rates. Constant currency results, where presented, also exclude the foreign currency gain or loss. We have experienced a prolonged weakening of the Mexican peso to the U.S. dollar and may continue to experience further weakening in future reporting periods, which may adversely impact our future operating results when stated on a GAAP basis.

The following information provides reconciliations of certain non-GAAP financial measures presented in this press release to the most directly comparable financial measures calculated and presented in accordance with GAAP as of and for the three and nine months ended June 30, 2018 .

Miscellaneous Non-GAAP Financial Measures

| | Three Months Ended June 30, | | Change |
|---|------------------------------------|----------------|---------------|
| | 2018 | 2017 | |
| | <i>(in millions)</i> | | |
| Net income from continuing operations attributable to EZCORP | \$ 14.5 | \$ 5.5 | 163 % |
| Gain on litigation settlement, net of tax impact | (3.6) | — | |
| Non-recurring tax benefit | (3.3) | — | |
| CFO severance, net of tax impact | — | 0.6 | |
| Acquisition expenses, net of tax impact | 0.1 | 0.2 | |
| Currency exchange rate fluctuations | 0.3 | — | |
| Adjusted net income from continuing operations attributable to EZCORP | <u>\$ 8.0</u> | <u>\$ 6.3</u> | 27 % |
| Basic earnings per share | \$ 0.27 | \$ 0.10 | 170 % |
| Gain on litigation settlement, net of tax impact per share | (0.06) | — | |
| Non-recurring tax benefit per share | (0.06) | — | |
| CFO severance, net of tax impact per share | — | 0.02 | |
| Adjusted basic earnings per share | <u>\$ 0.15</u> | <u>\$ 0.12</u> | 25 % |
| Diluted earnings per share | \$ 0.25 | \$ 0.10 | 150 % |
| Gain on litigation settlement, net of tax impact per share | (0.06) | — | |
| Non-recurring tax benefit per share | (0.05) | — | |
| CFO severance, net of tax impact per share | — | 0.02 | |
| Adjusted diluted earnings per share | <u>\$ 0.14</u> | <u>\$ 0.12</u> | 17 % |
| U.S. Pawn same store PLO | \$ 143.2 | \$ 147.3 | (3)% |
| U.S. Pawn same store PLO for Hurricanes Harvey and Irma impacted stores | (45.9) | (48.8) | |
| U.S. Pawn adjusted same store PLO | <u>\$ 97.3</u> | <u>\$ 98.5</u> | (1)% |

| | <u>U.S. Dollar Amount</u> | <u>Percentage Change YOY</u> |
|--|---------------------------|----------------------------------|
| | <i>(in millions)</i> | |
| Latin America Pawn same store PLO as of June 30, 2018 | \$ 18.9 | (2)% |
| Currency exchange rate fluctuations | 1.9 | |
| Constant currency Latin America Pawn same store PLO as of June 30, 2018 | \$ 20.8 | 8 % |
| Latin America Pawn same store PLO | \$ 19.0 | 16 % |
| Currency exchange rate fluctuations | (0.6) | |
| Constant currency Latin America Pawn same store PLO | \$ 18.4 | 13 % |
| Latin America Pawn net revenue (three months ended June 30, 2018) | \$ 24.1 | 67 % |
| Currency exchange rate fluctuations | 0.8 | |
| Constant currency Latin America Pawn net revenue (three months ended June 30, 2018) | \$ 24.9 | 73 % |
| Latin America Pawn segment profit before tax (three months ended June 30, 2018) | \$ 8.8 | 63 % |
| Currency exchange rate fluctuations | 0.2 | |
| Constant currency Latin America Pawn segment profit before tax (three months ended June 30, 2018) | \$ 9.0 | 66 % |
| Consolidated net revenue (three months ended June 30, 2018) | \$ 115.1 | 9 % |
| Currency exchange rate fluctuations | 0.7 | |
| Constant currency consolidated net revenue (three months ended June 30, 2018) | \$ 115.8 | 10 % |
| Consolidated PSC revenue (three months ended June 30, 2018) | \$ 72.9 | 11 % |
| Currency exchange rate fluctuations | 0.5 | |
| Constant currency consolidated PSC revenue (three months ended June 30, 2018) | \$ 73.4 | 11 % |
| Consolidated merchandise sales (three months ended June 30, 2018) | \$ 104.7 | 7 % |
| Currency exchange rate fluctuations | 0.8 | |
| Constant currency consolidated merchandise sales (three months ended June 30, 2018) | \$ 105.5 | 8 % |
| Consolidated operations expenses (three months ended June 30, 2018) | \$ 83.0 | 12 % |
| Currency exchange rate fluctuations | 0.5 | |
| Constant currency consolidated operations expenses (three months ended June 30, 2018) | \$ 83.5 | 12 % |
| Latin America Pawn segment profit before tax (nine months ended June 30, 2018) | \$ 24.9 | 94 % |
| Currency exchange rate fluctuations | (0.5) | |
| Constant currency Latin America Pawn segment profit before tax (nine months ended June 30, 2018) | \$ 24.4 | 90 % |
| Latin America Pawn PLO as of June 30, 2018 | \$ 39.3 | 102 % |
| Currency exchange rate fluctuations | 2.6 | |
| Constant currency Latin America Pawn PLO as of June 30, 2018 | \$ 41.9 | 116 % |
| Latin America Pawn PSC revenue (three months ended June 30, 2018) | \$ 17.3 | 90 % |
| Currency exchange rate fluctuations | 0.5 | |
| Constant currency Latin America Pawn PSC revenue (three months ended June 30, 2018) | \$ 17.8 | 95 % |
| Latin America Pawn merchandise sales (three months ended June 30, 2018) | \$ 20.8 | 37 % |
| Currency exchange rate fluctuations | 0.8 | |
| Constant currency Latin America Pawn merchandise sales (three months ended June 30, 2018) | \$ 21.6 | 42 % |
| Latin America Pawn same store merchandise sales (three months ended June 30, 2018) | \$ 15.9 | 5 % |
| Currency exchange rate fluctuations | 0.8 | |
| Constant currency Latin America Pawn same store merchandise sales (three months ended June 30, 2018) | \$ 16.7 | 11 % |