

EZCORP INC
Form 10-Q
November 09, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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, 2015

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 No. 0-19424

EZCORP, INC.

(Exact name of registrant as specified in its charter)

Delaware

74-2540145

(State or other jurisdiction of
incorporation or organization)

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

2500 Bee Cave Road, Building 1, Suite 200
Rollingwood, Texas

78746

(Address of principal executive offices)
(512) 314-3400

(Zip Code)

Registrant's telephone number, including area code:

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, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

The only class of voting securities of the registrant issued and outstanding is the Class B Voting Common Stock, par value \$.01 per share, all of which is owned by an affiliate of the registrant. There is no trading market for the Class B Voting Common Stock.

As of June 30, 2015, 51,849,933 shares of the registrant's Class A Non-voting Common Stock including redeemable common stock, par value \$.01 per share, and 2,970,171 shares of the registrant's Class B Voting Common Stock, par value \$.01 per share, were outstanding.

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EZCORP, Inc.

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EXPLANATORY NOTE

Delayed Filing

We delayed the filing of this Quarterly Report on Form 10-Q for the third quarter of fiscal 2015 (ended June 30, 2015) pending the completion of a review and analysis of certain accounting issues relating to our Grupo Finmart loan portfolio. As a result of that review, we have restated our financial statements for the fiscal years ended September 30, 2014, 2013 and 2012 (including the quarterly periods within those years, other than the first quarter of fiscal 2012) and for the first quarter of fiscal 2015 in order to correct certain accounting errors related to our Grupo Finmart loan portfolio.

For discussion of the Grupo Finmart portfolio review, the accounting errors identified and the restatement adjustments applicable to fiscal 2014 and periods prior to September 30, 2014, see “Part II, Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Grupo Finmart Portfolio Review and Restatement” and Notes 2 and 19 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplementary Data” in our Amended Annual Report on Form 10-K/A for the fiscal year ended September 30, 2014 (the “Amended FY14 Annual Report”).

For a description of the restatement adjustments applicable to the first quarter of fiscal 2015, see “Part I, Item 2 — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Grupo Finmart Portfolio Review and Restatement” and Note 2 of Notes to Interim Condensed Consolidated Financial Statements included in “Part I, Item 1 — Financial Statements” in our Amended Quarterly Report on Form 10-Q/A for the quarter ended December 31, 2014 (the “Amended Q115 Quarterly Report”).

Internal Control over Financial Reporting

Management reassessed its evaluation of the effectiveness of our internal control over financial reporting as of September 30, 2014, and concluded that a number of deficiencies in the design and operating effectiveness of our internal controls, collectively, represent material weaknesses in our internal control over financial reporting and, therefore, that we did not maintain effective internal control over financial reporting as of September 30, 2014, September 30, 2013 and September 30, 2012. For a description of the material weaknesses identified by management and management’s plan to remediate those material weaknesses, see “Part II, Item 9A — Controls and Procedures” in the Amended FY14 Annual Report.

The information in this Report pertaining to the third quarter and first nine months of fiscal 2014 (ended June 30, 2014) and as of September 30, 2014 reflects the restated financial statements for such periods, as set forth in the Amended FY14 Annual Report. The information in this Report pertaining to the first nine months of fiscal 2015 reflects the restated financial statements for the first quarter of fiscal 2015, as set forth in the Amended Q115 Quarterly Report.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

EZCORP, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)

	June 30, 2015	June 30, 2014	September 30, 2014
	(Unaudited)		
Assets:			
Current assets:			
Cash and cash equivalents	\$ 114,387	\$ 49,434	\$ 55,325
Restricted cash	28,015	49,129	63,495
Pawn loans	144,377	157,491	162,444
Consumer loans, net	57,737	64,787	63,995
Pawn service charges receivable, net	26,989	29,307	31,044
Consumer loan fees and interest receivable, net	18,180	15,032	12,647
Inventory, net	115,283	130,839	138,175
Deferred tax asset	24,428	15,302	17,572
Prepaid income taxes	44,986	43,677	57,069
Receivables, prepaid expenses and other current assets	33,947	75,161	33,097
Total current assets	608,329	630,159	634,863
Investment in unconsolidated affiliate	90,423	90,730	91,781
Property and equipment, net	101,135	109,458	105,900
Restricted cash, non-current	2,978	4,578	5,070
Goodwill	331,849	436,765	346,577
Intangible assets, net	60,575	78,745	66,086
Non-current consumer loans, net	82,739	84,630	85,004
Deferred tax asset	10,984	9,331	12,142
Other assets, net	54,246	76,137	63,121
Total assets (1)(3)	\$ 1,343,258	\$ 1,520,533	\$ 1,410,544
Liabilities, temporary equity and stockholders' equity:			
Current liabilities:			
Current maturities of long-term debt	\$ 69,054	\$ 41,125	\$ 36,111
Current capital lease obligations	—	520	418
Accounts payable and other accrued expenses	84,036	89,217	94,993
Other current liabilities	6,124	8,716	8,595
Customer layaway deposits	9,635	8,206	8,097
Total current liabilities	168,849	147,784	148,214
Long-term debt, less current maturities	340,822	387,217	392,054
Deferred gains and other long-term liabilities	7,668	21,235	15,172
Total liabilities (2)(4)	517,339	556,236	555,440
Commitments and contingencies			
Temporary equity:			
Class A Non-voting Common Stock, subject to possible redemption at \$10.06 per share; 1,168,456 shares issued and outstanding at redemption value as of June 30, 2015; and none as of June 30, 2014 and September 30,	11,696	—	—

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2014			
Redeemable noncontrolling interest	16,361	25,662	22,800
Total temporary equity	28,057	25,662	22,800
Stockholders' equity:			
Class A Non-voting Common Stock, par value \$.01 per share; shares authorized: 100 million as of June 30, 2015 and 2014 and September 30, 2014; issued and outstanding: 50,681,477 as of June 30, 2015; 51,612,246 as of June 30, 2014; and 50,614,767 as of September 30, 2014	506	519	506
Class B Voting Common Stock, convertible, par value \$.01 per share; 3 million shares authorized; issued and outstanding: 2,970,171	30	30	30
Additional paid-in capital	327,018	339,869	332,264
Retained earnings	512,694	610,050	509,586
Accumulated other comprehensive (loss) income	(42,386	) 68	(10,082)
Treasury stock, at cost; none at June 30, 2015 and September 30, 2014 and 1 million shares at June 30, 2014	—	(11,901)	—
EZCORP, Inc. stockholders' equity	797,862	938,635	832,304
Total liabilities, temporary equity and stockholders' equity	\$1,343,258	\$1,520,533	\$1,410,544
See accompanying notes to interim condensed consolidated financial statements.			

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Assets and Liabilities of Consolidated Variable Interest Entities (See Note 17)

(1) Our consolidated assets as of June 30, 2015 and 2014 and September 30, 2014 include the following assets of our consolidated variable interest entities:

	June 30, 2015	June 30, 2014	September 30, 2014
	(Unaudited) (in thousands)		
Restricted cash	\$1,617	\$17,422	\$ 1,921
Consumer loans, net	13,207	11,180	16,465
Consumer loan fees and interest receivable, net	4,979	2,458	3,058
Non-current consumer loans, net	30,238	25,043	35,780
Total assets	\$50,041	\$56,103	\$ 57,224

(2) Our consolidated liabilities as of June 30, 2015 and 2014 and September 30, 2014 include the following liabilities of our consolidated variable interest entities:

	June 30, 2015	June 30, 2014	September 30, 2014
	(Unaudited) (in thousands)		
Accounts payable and other accrued expenses	\$3,988	\$1,090	\$ 2,105
Current maturities of long-term debt	46,039	20,095	25,438
Long-term debt, less current maturities	40,744	26,589	35,624
Total liabilities	\$90,771	\$47,774	\$ 63,167

Assets and Liabilities of Grupo Finmart Securitization Trust

(3) Our consolidated assets as of June 30, 2015 and 2014 and September 30, 2014 include the following assets of Grupo Finmart's Securitization trust that can only be used to settle its liabilities:

	June 30, 2015	June 30, 2014	September 30, 2014
	(Unaudited) (in thousands)		
Restricted cash	\$17,398	\$5,873	\$23,592
Consumer loans, net	37,288	42,936	41,588
Consumer loan fees and interest receivable, net	5,614	6,553	5,489
Restricted cash, non-current	117	16,660	133
Other assets, net	2,102	2,868	2,847
Total assets	\$62,519	\$74,890	73,649

(4) Our consolidated liabilities as of June 30, 2015 and 2014 and September 30, 2014 include the following liabilities for which the creditors of Grupo Finmart's securitization trust do not have recourse to the general credit of EZCORP, Inc.:

	June 30, 2015	June 30, 2014	September 30, 2014
	(Unaudited)		

		(in thousands)	
Long-term debt, less current maturities	\$44,450	\$56,076	\$54,045
See accompanying notes to interim condensed consolidated financial statements.			

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EZCORP, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30, 2015		Nine Months Ended June 30, 2015	
	2014		2014	
	(Unaudited)			
	(in thousands, except per share amounts)			
Revenues:				
Merchandise sales	\$93,137	\$89,170	\$310,628	\$298,211
Jewelry scrapping sales	10,588	20,273	47,521	74,169
Pawn service charges	57,599	59,917	181,996	183,212
Consumer loan fees and interest	50,796	52,734	164,084	162,715
Other revenues	870	1,040	2,936	3,714
Total revenues	212,990	223,134	707,165	722,021
Merchandise cost of goods sold	61,460	56,014	206,430	184,378
Jewelry scrapping cost of goods sold	8,580	15,131	37,609	55,262
Consumer loan bad debt	13,664	16,401	47,820	45,465
Net revenues	129,286	135,588	415,306	436,916
Operating expenses (income):				
Operations	103,030	103,198	307,014	309,666
Administrative	12,602	14,205	31,803	49,925
Depreciation	7,551	7,460	22,823	22,214
Amortization	1,380	1,306	4,205	4,064
(Gain) loss on sale or disposal of assets	(6	) 134	879	(6,069)
Restructuring	37	—	763	—
Total operating expenses	124,594	126,303	367,487	379,800
Operating income	4,692	9,285	47,819	57,116
Interest expense	9,659	7,439	32,989	18,604
Interest income	(347	) (377	) (1,393	) (729)
Equity in net income of unconsolidated affiliates	(1,822	) (2,117	) (338	) (3,880)
Impairment of goodwill	10,550	—	10,550	—
Impairment of investments	—	—	—	7,940
Other expense	750	265	3,368	539
(Loss) income from continuing operations before income taxes	(14,098	) 4,075	2,643	34,642
Income tax (benefit) expense	(4,131	) 406	774	6,081
(Loss) income from continuing operations, net of tax	(9,967	) 3,669	1,869	28,561
Loss from discontinued operations, net of tax	(270	) (2,076	) (1,991	) (5,445)
Net (loss) income	(10,237	) 1,593	(122	) 23,116
Net loss from continuing operations attributable to redeemable noncontrolling interest	(390	) (2,337	) (3,230	) (5,686)
Net (loss) income attributable to EZCORP, Inc.	\$(9,847	) \$3,930	\$3,108	\$28,802
Basic (loss) earnings per share attributable to EZCORP, Inc.:				
Continuing operations	\$(0.17	) \$0.11	\$0.09	\$0.63
Discontinued operations	—	(0.04	) (0.04	) (0.10)
Basic (loss) earnings per share	\$(0.17) \$0.07	\$0.05	\$0.53

Diluted (loss) earnings per share attributable to EZCORP, Inc.:

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Continuing operations	\$ (0.17) \$ 0.11	\$ 0.09	\$ 0.63	
Discontinued operations	—	(0.04) (0.04) (0.10)
Diluted (loss) earnings per share	\$ (0.17	) \$ 0.07	\$ 0.05	\$ 0.53
Weighted-average shares outstanding:					
Basic	54,820	54,308	54,216	54,338	
Diluted	54,866	54,395	54,280	54,529	
Net (loss) income from continuing operations attributable to EZCORP, Inc.	\$ (9,577	) \$ 6,006	\$ 5,099	\$ 34,247
Loss from discontinued operations attributable to EZCORP, Inc.	(270) (2,076) (1,991) (5,445)
Net (loss) income attributable to EZCORP, Inc.	\$ (9,847	) \$ 3,930	\$ 3,108	\$ 28,802
See accompanying notes to interim condensed consolidated financial statements.					

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EZCORP, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2015	2014	2015	2014
	(Unaudited)			
	(in thousands)			
Net (loss) income	\$ (10,237)	\$ 1,593	\$ (122)	\$ 23,116
Other comprehensive (loss) income:				
Foreign currency translation (loss) gain	(9,847)	5,344	(38,066)	7,767
Foreign currency translation reclassification adjustment realized upon impairment	—	—	—	375
Cash flow hedges:				
Unrealized loss before reclassifications	—	(497)	—	(1,169)
Amounts reclassified from accumulated other comprehensive loss	35	272	422	814
Unrealized holding (loss) gain on available-for-sale arising during period	—	(77)	—	540
Income tax benefit (expense)	1,370	(818)	1,590	(1,201)
Other comprehensive (loss) income, net of tax	(8,442)	4,224	(36,054)	7,126
Comprehensive (loss) income	\$ (18,679)	\$ 5,817	\$ (36,176)	\$ 30,242
Attributable to redeemable noncontrolling interest:				
Net loss	(390)	(2,337)	(3,230)	(5,686)
Foreign currency translation (loss) gain	(626)	477	(3,853)	755
Amounts reclassified from accumulated other comprehensive loss (income)	9	(90)	103	(142)
Comprehensive loss attributable to redeemable noncontrolling interest	(1,007)	(1,950)	(6,980)	(5,073)
Comprehensive (loss) income attributable to EZCORP, Inc.	\$ (17,672)	\$ 7,767	\$ (29,196)	\$ 35,315
See accompanying notes to interim condensed consolidated financial statements.				

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EZCORP, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended June 30,		
	2015	2014	
	(Unaudited) (in thousands)		
Operating activities:			
Net (loss) income	\$(122	) \$23,116
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	27,024	28,083	
Amortization (accretion) of debt discount (premium) and consumer loan premium (discount), net	6,512	(68)
Consumer loan loss provision	23,465	28,901	
Deferred income taxes	(5,742) (1,280)
Impairment of goodwill	10,550	—	
Restructuring	763	—	
Amortization of deferred financing costs	3,423	4,166	
Amortization of prepaid commissions	9,878	10,039	
Other adjustments	1,215	(753)
Loss (gain) on sale or disposal of assets	956	(6,137)
Stock compensation (benefit) expense	(1,319	) 9,487
Income from investments in unconsolidated affiliates	(338) (3,880)
Impairment of investments	—	7,940	
Changes in operating assets and liabilities, net of business acquisitions:			
Service charges and fees receivable	(5,360	) 1,577
Inventory	926	2,243	
Receivables, prepaid expenses, other current assets and other assets	(39,237) (35,349)
Accounts payable and other accrued expenses and deferred gains and other long-term liabilities	3,942	(9,476)
Customer layaway deposits	1,127	(433)
Restricted cash	(214) —	
Prepaid income taxes	11,885	(20,048)
Payments of restructuring charges	(3,668) —	
Dividends from unconsolidated affiliates	4,842	5,129	
Net cash provided by operating activities	50,508	43,257	
Investing activities:			
Loans made	(640,278) (705,181)
Loans repaid	474,074	498,222	
Recovery of pawn loan principal through sale of forfeited collateral	191,170	182,004	
Additions to property and equipment	(22,849) (15,930)
Acquisitions, net of cash acquired	(4,120) (12,990)
Investments in unconsolidated affiliates	(12,140) —	
Proceeds from sale of assets	—	10,631	
Other investing activities	—	143	
Net cash used in investing activities	(14,143) (43,101)

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EZCORP, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Financing activities:

Taxes paid related to net share settlement of equity awards	(196)	) (1,990)
Debt issuance costs	—	(12,686)
Payout of deferred and contingent consideration	(6,000)	) (23,000)
Proceeds from issuance of convertible notes	—	200,000	
Purchase of convertible notes hedges	—	(40,395)
Proceeds from issuance of warrants	—	21,824	
Purchase of subsidiary shares from noncontrolling interest	(2,774)	) (21,139)
Proceeds from settlement of forward currency contracts	2,313	—	
Change in restricted cash	30,335	(40,761)
Proceeds from revolving line of credit	—	389,900	
Payments on revolving line of credit	—	(530,800)
Proceeds from borrowings	69,296	154,406	
Payments on borrowings and capital lease obligations	(64,586)	) (63,162)
Repurchase of common stock	—	(11,901)
Net cash provided by financing activities	28,388	20,296	
Effect of exchange rate changes on cash and cash equivalents	(5,691)	) (118)
Net increase in cash and cash equivalents	59,062	20,334	
Cash and cash equivalents at beginning of period	55,325	29,100	
Cash and cash equivalents at end of period	\$ 114,387	\$ 49,434	

Non-cash investing and financing activities:

Pawn loans forfeited and transferred to inventory	\$ 170,185	\$ 171,288
Issuance of common stock, subject to possible redemption, due to acquisition	11,696	—
Deferred consideration	124	2,692
Issuance of common stock to 401(k) plan	—	557
Equity adjustment due to noncontrolling interest purchase	—	6,588
Receivable from issuance of convertible notes	—	30,000
Payable to purchase convertible notes hedges	—	6,059
Warrants receivable related to issuance of convertible notes	—	3,282
Deferred finance cost payable related to convertible notes	—	2,400
Payable to purchase additional shares of noncontrolling interest	322	8,636
See accompanying notes to interim condensed consolidated financial statements.		

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EZCORP, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock		EZCORP, Inc. Stockholders' Equity
	Shares	Par Value				Shares	Par Value	
	(Unaudited, except balances as of September 30, 2014 and 2013) (in thousands)							
Balances as of September 30, 2013	54,240	\$ 543	\$ 320,537	\$ 581,248	\$ (6,445)	—	\$—	\$ 895,883
Issuance of common stock related to 401(k) match	45	1	557	—	—	—	—	558
Stock compensation	—	—	9,487	—	—	—	—	9,487
Purchase of subsidiary shares from noncontrolling interest	—	—	(13,259)	—	(15)	—	—	(13,274)
Release of restricted stock	297	5	—	—	—	—	—	5
Tax deficiency of stock compensation	—	—	(569)	—	—	—	—	(569)
Taxes paid related to net share settlement of equity awards	—	—	(1,990)	—	—	—	(1)	(1,991)
Effective portion of cash flow hedge	—	—	—	—	(213)	—	—	(213)
Net proceeds from sale of warrants	—	—	25,106	—	—	—	—	25,106
Unrealized loss on available-for-sale securities	—	—	—	—	351	—	—	351
Foreign currency translation adjustment	—	—	—	—	6,015	—	—	6,015
Foreign currency translation reclassification adjustment realized upon impairment	—	—	—	—	375	—	—	375
Purchase of treasury stock	—	—	—	—	—	1,000	(11,900)	(11,900)
Net income attributable to EZCORP, Inc.	—	—	—	28,802	—	—	—	28,802
Balances as of June 30, 2014	54,582	\$ 549	\$ 339,869	\$ 610,050	\$ 68	1,000	\$(11,901)	\$ 938,635
Balances as of September 30, 2014	53,585	\$ 536	\$ 332,264	\$ 509,586	\$ (10,082)	—	\$—	\$ 832,304
Issuance of common stock related to 401(k) match	1	—	—	—	—	—	—	—
Stock compensation	—	—	(1,319)	—	—	—	—	(1,319)
Purchase of subsidiary shares from noncontrolling interest	—	—	-(3,564)	—	-(72)	—	—	(3,636)

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Release of restricted stock	66	—	—	—	—	—	—	—		
Tax deficiency of stock compensation	—	—	(167)	—	—	—	(167)	
Taxes paid related to net share settlement of equity awards	—	—	(196)	—	—	—	—	(196)
Amounts reclassified from accumulated other comprehensive loss	—	—	—	—	319	—	—	319		
Foreign currency translation adjustment	—	—	—	—	(32,551)	—	—	(32,551)
Net income attributable to EZCORP, Inc.	—	—	—	3,108	—	—	—	3,108		
Balances as of June 30, 2015	53,652	\$ 536	\$ 327,018	\$ 512,694	\$ (42,386	)	—	\$—	\$ 797,862

See accompanying notes to interim condensed consolidated financial statements.

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EZCORP, Inc.

Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

June 30, 2015

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

We are a leading provider of specialty consumer financial services. With approximately 7,100 teammates and 1,350 locations and branches, we provide collateralized, non-recourse loans, commonly known as pawn loans, and a variety of short-term and long-term consumer loans including single-payment and multiple-payment unsecured loans and single-payment and multiple-payment auto title loans, or fee-based credit services to customers seeking loans in the United States, Mexico and Canada. Subsequent to June 30, 2015, we discontinued our consumer loan operations in the United States.

We also own approximately 32% of Cash Converters International Limited ("Cash Converters International"), which is based in Australia and franchises and operates a worldwide network of over 750 locations that provide financial services and buy and sell second-hand goods.

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. Our management has included all adjustments it considers necessary for a fair presentation. These adjustments are of a normal, recurring nature except for those related to discontinued operations (described in Note 2). Furthermore, certain reclassifications of prior period amounts have been made to conform to the current period presentation. We have reclassified unamortized debt issuance costs of \$16.0 million as of June 30, 2014 from "Other assets, net" to "Intangible assets, net" to conform to current period presentation.

The accompanying financial statements should be read in conjunction with the consolidated financial statements and notes included in our Amended Annual Report on Form 10-K/A for the year ended September 30, 2014 (the "Amended FY14 Annual Report"). The balance sheet as of September 30, 2014 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Our business is subject to seasonal variations, and operating results for the three and nine-months ended June 30, 2015 (the "current quarter" and "current nine-month period") are not necessarily indicative of the results of operations for the full fiscal year.

These condensed consolidated financial statements include the accounts of EZCORP, Inc. ("EZCORP") and its consolidated subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation. As of June 30, 2015, we owned 76% of the outstanding equity interests in Prestaciones Finmart, S.A.P.I. de C.V., SOFOM, E.N.R. ("Grupo Finmart"), doing business under the brands "Crediamigo" and "Adex," and therefore, include its results in our condensed consolidated financial statements.

To determine if we hold a controlling financial interest in an entity, we first evaluate if we are required to apply the variable interest entity ("VIE") model to the entity; otherwise, the entity is evaluated under the voting interest model. Where we hold current or potential rights that give us the power to direct the activities of a VIE that most significantly impact the VIE's economic performance combined with a variable interest that gives us the right to receive potentially significant benefits or the obligation to absorb potentially significant losses, we have a controlling financial interest in that VIE. Rights held by others to remove the party with power over the VIE are not considered unless one party can exercise those rights unilaterally. Grupo Finmart has completed several transfers of consumer loans to various securitization trusts. We consolidate those securitization entities under the VIE model. See Note 17.

We account for our investment in Cash Converters International using the equity method.

Use of Estimates and Assumptions

The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and judgments, including those related to revenue recognition, inventory,

loan loss allowances, long-lived and intangible assets, income taxes, contingencies and litigation. We base our estimates on historical experience, observable trends and various other assumptions that we believe are reasonable under the circumstances. We use this

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information to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from the estimates under different assumptions or conditions. There have been no changes in significant accounting policies as described in our Amended FY14 Annual Report, other than those described below.

Recently Adopted Accounting Policies

Common Stock, Subject to Possible Redemption

We account for shares subject to possible redemption in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 480 Distinguishing Liabilities from Equity. Under this standard, shares subject to mandatory redemption (if any) are classified as liability instruments and are measured at fair value and conditionally redeemable common shares (including shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company's control) are classified as temporary equity. At all other times, shares are classified as stockholders' equity. The EZCORP common stock subject to possible redemption features certain redemption rights that are considered by the Company to be outside of the Company's control and subject to the occurrence of uncertain future events. Accordingly as of March 31, 2015, the shares subject to possible redemption are presented as temporary equity, outside of the stockholders' equity section of the Company's condensed consolidated balance sheets.

Recently Issued Accounting Pronouncements

In September 2015, the FASB issued Accounting Standards Update ("ASU") 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. This ASU requires reporting entities to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. Measurement period adjustments were previously required to be retrospectively adjusted as of the acquisition date. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. A reporting entity should apply the amendment prospectively. We do not anticipate that the adoption of ASU 2015-16 will have a material effect on our financial position, results of operations or cash flows.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory. This ASU requires reporting entities measuring inventories under the first-in, first-out or average cost methods to measure inventory at the lower of cost or net realizable value, where net realizable value is "estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation." Inventory was previously required to be measured at the lower of cost or market value, where the measurement of market value had several potential outcomes. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted provided that presentation is applied to the beginning of the fiscal year of adoption. A reporting entity may apply the amendment prospectively. We have not completed the process of evaluating the impact that will result from adopting ASU 2015-11. Therefore we are unable to disclose the impact that adopting ASU 2015-11 will have on our financial position, results of operations and cash flows when such statement is adopted.

In April 2015, the FASB issued ASU 2015-03, Interest — Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. This ASU requires reporting entities to record costs paid to third parties that are directly related to issuing debt, and that otherwise would not be incurred, as a deduction to the corresponding debt for presentation purposes. In addition, in August 2015, FASB issued ASU 2015-15, Interest — Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements-Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting. Given the absence of authoritative guidance within ASU 2015-03 for debt issuance costs related to line-of-credit arrangements, ASU 2015-15 states the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The provisions of each ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted for each. A reporting entity may apply each amendment retrospectively and the adoption represents a change in accounting principle. The impact of adopting ASU

2015-15 would result in the election to continue to present debt issuance costs related to our revolving credit facilities as an asset. The impact of ASU 2015-03 on our consolidated financial statements as of June 30, 2015, June 30, 2014 and September 30, 2014 would include an estimated reclassification of unamortized debt issuance costs of \$7.1 million, \$11.0 million and \$10.3 million, respectively, from "Intangible assets, net" to "Long-term debt, less current maturities" and \$3.0 million, \$4.0 million and \$4.0 million, respectively, from "Intangible assets, net" to "Current maturities of long-term debt" within the

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condensed consolidated balance sheets. Other than these reclassification, the adoption of ASU 2015-03 is not expected to have an impact on our financial position, results of operations or cash flows.

In April 2015, the FASB issued ASU 2015-05, Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. This ASU provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. A reporting entity may apply the amendment prospectively or retrospectively. We do not anticipate that the adoption of ASU 2015-05 will have a material effect on our financial position, results of operations or cash flows.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. This ASU provides guidance for reporting entities that are required to evaluate whether they should consolidate certain legal entities. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, provided that presentation is applied to the beginning of the fiscal year of adoption. A reporting entity may apply the amendment retrospectively or using a modified retrospective approach. We do not anticipate that the adoption of ASU 2015-02 will have a material effect on our financial position, results of operations or cash flows.

In November 2014, the FASB issued ASU 2014-16, Derivatives and Hedging (Topic 815): Determining Whether a Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or to Equity. This ASU requires reporting entities to determine the nature of a hybrid financial instrument host contract by considering all stated and implied substantive terms and features of the hybrid financial instrument, weighing each term and feature on the basis of relevant facts and circumstances. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, provided that presentation is applied to the beginning of the fiscal year of adoption. We do not anticipate that the adoption of ASU 2014-16 will have a material effect on our financial position, results of operations or cash flows.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). On August 12, 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606) to defer the effective date to December 15, 2017 for annual reporting periods beginning after that date. The FASB also permitted early adoption of the standard, but not before the original effective date of December 15, 2016. We have not completed the process of evaluating the impact that will result from adopting ASU 2014-09. Therefore we are unable to disclose the impact that adopting ASU 2014-09 will have on our financial position, results of operations and cash flows when such statement is adopted.

NOTE 2: DISCONTINUED OPERATIONS AND RESTRUCTURING

Discontinued Operations

During the fourth quarter of fiscal 2014, we implemented a plan to exit our online lending businesses in the United States and the United Kingdom. As a result of this plan, our online lending operations in the United States (EZOnline) and in the United Kingdom (Cash Genie) have been included as discontinued operations.

During the third quarter of fiscal 2013, we implemented a plan to close 107 legacy stores (57 in Mexico, 29 in Canada and 21 in the U.S.). These stores were generally older, smaller stores that did not fit our future growth profile.

See Note 18 for discussion of discontinued operations and restructuring actions subsequent to June 30, 2015.

Accrued lease termination costs, severance costs and other costs related to discontinued operations are included under "Accounts payable and other accrued expenses" in our condensed consolidated balance sheets. Changes in these amounts during the three and nine-month periods ended June 30, 2015 and 2014 are summarized as follows:

	Three Months Ended June 30, 2015	Nine Months Ended June 30, 2015
	(in millions)	
Beginning balance	\$10.2	\$8.9
Charged to expense*	—	4.0
Cash payments	(0.1)	(1.5)
Other**	—	(1.3)
Balance as of June 30, 2015	\$10.1	\$10.1

* We recorded additional one-time charges of \$3.3 million related to Cash Genie regulatory compliance and \$0.7 million related to severance costs during the nine-month period ended June 30, 2015.

** This balance consists of adjustments due to foreign currency effects and other individually immaterial adjustments.

	Three Months Ended June 30, 2014	Nine Months Ended June 30, 2014
	(in millions)	
Beginning balance	\$2.2	\$7.1
Charged to expense	—	—
Cash payments	(0.5)	(3.4)
Other*	(0.8)	(2.8)
Balance as of June 30, 2014	\$0.9	\$0.9

* This balance consists of adjustments due to foreign currency effects and other individually immaterial adjustments related to negotiated lease termination amounts being lower than the initial lease buyout estimates recorded during fiscal 2013.

Discontinued operations for the three-month periods ended June 30, 2015 and 2014 include \$0.1 million and \$0.1 million of total revenues, respectively. Discontinued operations for the nine-month periods ended June 30, 2015 and 2014 include \$1.7 million and \$2.9 million of total revenues, respectively.

All revenue, expense and income reported in these condensed consolidated financial statements have been adjusted to reflect reclassification of all discontinued operations.

Restructuring

During the fourth quarter of fiscal 2014, we conducted a company-wide operational review to realign our organization to streamline operations and create synergies and efficiencies. The operational review resulted in the reduction of non-customer-facing overhead. Changes in the balance of restructuring costs during the three and nine-month periods ended June 30, 2015 resulting from this initiative are summarized as follows:

	Three Months Ended June 30, 2015	Nine Months Ended June 30, 2015
	(in thousands)	
Beginning balance	\$3,885	\$6,121
Charged to expense	37	763
Cash payments	(706)	(3,668)
Balance as of June 30, 2015	\$3,216	\$3,216

The accrual for restructuring costs as of June 30, 2015 represents the amounts to be paid related to severance for employees that have been terminated or identified for termination as a result of the initiatives described above. We

estimate we will make a portion of the remaining payments during fiscal 2015, at which time this initiative will be substantially complete. We continue to review the impact of these actions and will determine if, based on future operating results, additional actions to reduce operating expenses are necessary. The amount of any potential future charges for such actions will depend upon the nature, timing and extent of those actions.

NOTE 3: ACQUISITIONS

On February 19, 2015, we completed the acquisition of 12 pawn stores in Central Texas doing business under the "Cash Pawn" brand. The aggregate purchase price for the acquisition was \$16.5 million, comprised of \$5.0 million cash and 1,168,456 shares of our Class A Non-voting Common Stock (the "Shares"), valued at \$10.01 per share less a \$0.2 million Holding Period Adjustment discussed below. The Shares were issued in an unregistered private placement transaction pursuant to Section 4(a)(2) of the Securities Act of 1933 to a small number of related individuals and entities (the "Sellers") who were either "accredited investors" or "sophisticated investors." We have concluded that this acquisition was immaterial to our overall consolidated financial results and, therefore, have omitted the information required by ASC 805-10-50-2(h).

On the first anniversary of the closing date, the Sellers have the right to require us to repurchase the Shares for an aggregate price of \$11.8 million (the "Put Option"). The Sellers may terminate the Put Option, in whole or in part, at any time. The Sellers are required to hold the Shares for a period of six months following the termination of the Put Option or such later date when we are in compliance with Rule 144(c) (the "Holding Period"). If the trading price of the Class A Non-voting Common Stock at the end of the Holding Period is less than \$10.06 per share (the average closing sales price of the stock on The Nasdaq Stock Market for the five trading days immediately preceding the closing), then we will make an additional cash payment to the Sellers equal to the aggregate deficit, but such payment will not exceed \$1.0 million. If the trading price of the Class A Non-voting Common Stock at the end of the Holding Period is more than \$10.06 per share, then we will receive from the Sellers (either in cash or by returning a portion of the Shares) an amount equal to 50% of the aggregate excess, but such payment will not exceed \$1.0 million (the "Holding Period Adjustment"). As of June 30, 2015, the Sellers had not terminated the Put Option in whole or in part. The Put Option is not accounted for separately from the Shares and does not require bifurcation. The Shares are accounted for as common stock, subject to possible redemption under FASB ASC 480 Distinguishing Liabilities from Equity and are included in temporary equity in our condensed consolidated balance sheet as of June 30, 2015. The Holding Period Adjustment is accounted for as a contingent consideration asset under FASB ASC 805 Business Combinations, will be adjusted to fair value in subsequent reporting periods, and is recorded in our condensed consolidated balance sheet at its estimated fair value under "Other assets, net" as of June 30, 2015. See Note 14 for additional information regarding the Holding Period Adjustment.

See Note 18 for discussion of acquisitions subsequent to June 30, 2015.

NOTE 4: EARNINGS PER SHARE

The two-class method is utilized for the computation of earnings per share. The two-class method requires a portion of net income to be allocated to participating securities, which are unvested awards of share-based payments with non-forfeitable rights to receive dividends or dividend equivalents, if declared. Income allocated to these participating securities is excluded from net earnings allocated to common shares. There were no participating securities outstanding during the three and nine-month periods ended June 30, 2015 and 2014.

We compute basic earnings per share on the basis of the weighted-average number of shares of common stock outstanding during the period. We compute diluted earnings per share on the basis of the weighted-average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include restricted stock awards and warrants.

Potential common shares are required to be excluded from the computation of diluted earnings per share if the assumed proceeds upon exercise or vest, as defined by FASB ASC 718-10-25, are greater than the cost to re-acquire the same number of shares at the average market price, and therefore the effect would be anti-dilutive.

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Components of basic and diluted earnings per share and excluded anti-dilutive potential common shares are as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2015	2014	2015	2014
(in thousands, except per share amounts)				
Net (loss) income from continuing operations attributable to EZCORP (A)	\$ (9,577)	\$ 6,006	\$ 5,099	\$ 34,247
Loss from discontinued operations, net of tax (B)	(270)	(2,076)	(1,991)	(5,445)
Net (loss) income attributable to EZCORP (C)	\$ (9,847)	\$ 3,930	\$ 3,108	\$ 28,802
Weighted-average outstanding shares of common stock (D)	54,820	54,308	54,216	54,338
Dilutive effect of restricted stock	46	87	64	191
Weighted-average common stock and common stock equivalents (E)	54,866	54,395	54,280	54,529
Basic (loss) earnings per share attributable to EZCORP:				
Continuing operations (A / D)	\$ (0.17)	\$ 0.11	\$ 0.09	\$ 0.63
Discontinued operations (B / D)	—	(0.04)	(0.04)	(0.10)
Basic (loss) earnings per share (C / D)	\$ (0.17)	\$ 0.07	\$ 0.05	\$ 0.53
Diluted (loss) earnings per share attributable to EZCORP:				