

CASH AMERICA INTERNATIONAL INC
Form 10-Q
October 29, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended September 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 Number 001-09733

(Exact name of registrant as specified in its charter)

Texas 75-2018239
(State or other jurisdiction of (I.R.S. Employer
Incorporation or organization) Identification No.)

1600 West 7th Street
Fort Worth, Texas 76102
(Address of principal executive offices) (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, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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

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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:

25,412,546 of the Registrants' common shares, \$.10 par value per share, were outstanding as of October 26, 2015.

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CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You should not place undue reliance on these statements. These forward-looking statements give current expectations or forecasts of future events and reflect the views and assumptions of senior management with respect to the business, financial condition, operations and prospects of Cash America International, Inc. and its subsidiaries (collectively, the “Company”). When used in this report, terms such as “believes,” “estimates,” “should,” “could,” “would,” “plans,” “expects,” “intends,” “anticipates,” “may,” “forecast,” “project” expressions or variations as they relate to the Company or its management are intended to identify forward-looking statements. Forward-looking statements address matters that involve risks and uncertainties that are beyond the ability of the Company to control and, in some cases, predict. Accordingly, there are or will be important factors that could cause the Company’s actual results to differ materially from those indicated in these statements. Key factors that could cause the Company’s actual financial results, performance or condition to differ from the expectations expressed or implied in such forward-looking statements include, but are not limited to, the following:

risks related to the regulation of the Company, such as the failure to comply with existing, the adoption of new, or adverse changes in the interpretation or enforcement of laws, rules, regulations and guidance, the regulatory and examination authority of the Consumer Financial Protection Bureau (“CFPB”), and the effect of and compliance with enforcement actions, orders and agreements issued by applicable regulators, such as a consent order the Company entered into with the CFPB in November 2013;

accounting and income tax risks related to goodwill and other intangible asset impairment, certain tax positions taken by the Company and other accounting matters that require the judgment of management;

the Company’s ability to attract and retain qualified executive officers;

the effect of any current or future litigation proceedings, including an unfavorable outcome in an outstanding lawsuit relating to the Company’s 5.75% Senior Notes due 2018 even though the Company believes the lawsuit is without merit and will vigorously defend its position, and any judicial decisions or rule-making that affects the Company, its products or the legality or enforceability of its arbitration agreements;

decreased demand for the Company’s products and services and changes in competition;

fluctuations in the price of gold and changes in economic conditions;

public perception of the Company’s business and the Company’s business practices;

risks related to the Company’s financing, such as compliance with financial covenants in the Company’s debt agreements or the Company’s ability to satisfy its outstanding debt obligations, to refinance existing debt obligations or to obtain new capital;

- risks related to interruptions to the Company’s business operations, such as a prolonged interruption in the Company’s operations of its facilities, systems or business functions, cyber-attacks or security breaches or the actions of third parties who provide, acquire or offer products and services to, from or for the Company;

risks related to the expansion and growth of the Company’s business, including the Company’s ability to open new locations in accordance with plans or to successfully integrate newly acquired businesses into its operations;

risks related to the spin-off of the Company’s former online lending business that comprised its e-commerce division, Enova International, Inc.;

fluctuations in the price of the Company’s common stock;

the effect of any of the above changes on the Company’s business or the markets in which the Company operates; and other risks and uncertainties described in this report or from time to time in the Company’s filings with the Securities and Exchange Commission (“SEC”).

The foregoing list of factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this quarterly report, including under the caption “Risk Factors” in Item 1A of this quarterly report. In addition, new factors may emerge or changes to these factors may occur that would impact the Company’s business. Additional information regarding these and other risks can be found in this quarterly report and

may also be contained in the Company's other filings with the SEC, especially on Forms 10-K, 10-Q and 8-K. If one or more events related to these or other risks or uncertainties materialize, or if management's underlying assumptions prove to be incorrect, actual results may differ materially from those the Company anticipates. The Company disclaims any intention or obligation to update or revise any forward-looking statements to reflect events or circumstances occurring after the date of this report. All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)
(Unaudited)

	September 30, 2015	2014	December 31, 2014
Assets			
Current assets:			
Cash and cash equivalents	\$ 19,811	\$ 19,291	\$ 53,042
Pawn loans	257,241	264,612	252,168
Merchandise held for disposition, net	234,227	215,263	212,849
Pawn loan fees and service charges receivable	53,470	54,501	53,648
Consumer loans, net	30,648	44,531	44,853
Income taxes receivable	1,476	—	8,881
Prepaid expenses and other assets	24,078	34,562	21,377
Deferred tax assets	—	9,562	—
Investment in equity securities	66,354	—	131,584
Current assets of discontinued operations	—	447,187	—
Total current assets	687,305	1,089,509	778,402
Property and equipment, net	174,572	209,784	201,054
Goodwill	487,569	488,700	487,569
Intangible assets, net	40,916	47,472	45,828
Other assets	9,497	10,560	9,594
Noncurrent assets of discontinued operations	—	267,689	—
Total assets	\$ 1,399,859	\$ 2,113,714	\$ 1,522,447
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued expenses	\$ 72,981	\$ 69,410	\$ 74,331
Customer deposits	21,302	19,271	17,314
Income taxes currently payable	—	1,414	—
Current deferred tax liabilities	4,967	—	27,820
Current liabilities of discontinued operations	—	85,295	—
Total current liabilities	99,250	175,390	119,465
Deferred tax liabilities	69,454	64,968	72,432
Other liabilities	747	1,019	878
Long-term debt	206,239	206,022	196,470
Noncurrent liabilities of discontinued operations	—	539,782	—
Total liabilities	\$ 375,690	\$ 987,181	\$ 389,245
Equity:			
Common stock, \$0.10 par value per share, 80,000,000 shares authorized, 30,235,164 shares issued	3,024	3,024	3,024
Additional paid-in capital	85,475	87,718	86,388
Retained earnings	1,041,218	1,091,629	1,030,387
Accumulated other comprehensive income	30,060	2,073	71,959

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Treasury shares, at cost (4,604,936 shares, 1,379,345 shares and 1,428,495 shares as of September 30, 2015 and 2014, and as of December 31, 2014, respectively)	(135,608)	(57,911)	(58,556)
Total equity	1,024,169	1,126,533	1,133,202
Total liabilities and equity	\$1,399,859	\$2,113,714	\$1,522,447

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Revenue				
Pawn loan fees and service charges	\$82,435	\$85,313	\$236,647	\$246,490
Proceeds from disposition of merchandise	136,666	155,087	447,582	478,314
Consumer loan fees	20,543	24,831	60,173	74,490
Other	1,546	1,779	5,014	5,959
Total Revenue	241,190	267,010	749,416	805,253
Cost of Revenue				
Disposed merchandise	98,881	114,293	316,825	343,367
Consumer loan loss provision	7,349	8,614	16,549	24,061
Total Cost of Revenue	106,230	122,907	333,374	367,428
Net Revenue	134,960	144,103	416,042	437,825
Expenses				
Operations and administration	109,875	124,435	339,519	370,565
Depreciation and amortization	13,700	15,106	42,778	45,430
(Gain) loss on divestitures	(106	) 5,176	(307	) 5,176
Total Expenses	123,469	144,717	381,990	421,171
Income (Loss) from Operations	11,491	(614	) 34,052	16,654
Interest expense	(3,448	) (4,324	) (10,649	) (22,781
Interest income	53	3	60	7,647
Foreign currency transaction (loss) gain	—	(4	) 32	113
Loss on early extinguishment of debt	—	(5,991	) (607	) (22,553
Gain on disposition of equity securities	—	—	1,225	—
Income (Loss) from Continuing Operations before Income Taxes	8,096	(10,930	) 24,113	(20,920
Provision (benefit) for income taxes	3,058	(1,560	) 9,159	(3,041
Net Income (Loss) from Continuing Operations	5,038	(9,370	) 14,954	(17,879
Net Income from Discontinued Operations, Net of Tax	—	19,286	—	94,503
Net Income Attributable to Cash America International, Inc.	\$5,038	\$9,916	\$14,954	\$76,624
Earnings Per Share:				
Basic Earnings Per Share				
Net Income (Loss) from Continuing Operations	\$0.19	\$(0.32	) \$0.54	\$(0.62
Net Income from Discontinued Operations	\$—	\$0.66	\$—	\$3.28
Net Income Attributable to Cash America International, Inc.	\$0.19	\$0.34	\$0.54	\$2.66
Diluted Earnings Per Share				
Net Income (Loss) from Continuing Operations	\$0.19	\$(0.32	) \$0.54	\$(0.62
Net Income from Discontinued Operations	\$—	\$0.66	\$—	\$3.22
Net Income Attributable to Cash America International, Inc.	\$0.19	\$0.34	\$0.54	\$2.61
Weighted average common shares outstanding:				
Basic	26,539	29,186	27,511	28,808

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Diluted	26,773	29,312	27,675	29,371
Dividends declared per common share	\$0.050	\$0.035	\$0.150	\$0.105

See notes to consolidated financial statements.

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