

CASH AMERICA INTERNATIONAL INC  
Form 10-Q  
October 30, 2012  
Table of Contents

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, 2012

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 1-9733

(Exact name of registrant as specified in its charter)

**Texas**  
(State or other jurisdiction of  
Incorporation or organization)

**75-2018239**  
(I.R.S. Employer  
Identification No.)

**1600 West 7<sup>th</sup> Street**  
**Fort Worth, Texas**  
(Address of principal executive offices)

**76102**  
(Zip Code)

**(817) 335-1100**

(Registrant's telephone number, including area code)

Edgar Filing: CASH AMERICA INTERNATIONAL INC - Form 10-Q

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  Smaller reporting company

(Do not check if a smaller reporting company)

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:

29,051,910 of the Registrant's common shares, \$.10 par value, were issued and outstanding as of October 22, 2012.

**Table of Contents**

**CASH AMERICA INTERNATIONAL, INC.**

**INDEX TO FORM 10-Q**

**PART I. FINANCIAL INFORMATION**

	Page
Item 1. <u>Financial Statements (Unaudited)</u>	
<u>Consolidated Balance Sheets – September 30, 2012 and 2011 and December 31, 2011</u>	1
<u>Consolidated Statements of Income – Three and Nine Months Ended September 30, 2012 and 2011</u>	2
<u>Consolidated Statements of Comprehensive Income – Three and Nine Months Ended September 30, 2012 and 2011</u>	3
<u>Consolidated Statements of Equity – September 30, 2012 and 2011</u>	4
<u>Consolidated Statements of Cash Flows – Nine Months Ended September 30, 2012 and 2011</u>	5
<u>Notes to Consolidated Financial Statements</u>	6
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	30
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	64
Item 4. <u>Controls and Procedures</u>	64

**PART II. OTHER INFORMATION**

Item 1. <u>Legal Proceedings</u>	64
Item 1A. <u>Risk Factors</u>	65
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	66
Item 3. <u>Defaults upon Senior Securities</u>	66
Item 4. <u>Mine Safety Disclosure</u>	66
Item 5. <u>Other Information</u>	66
Item 6. <u>Exhibits</u>	67

<u>SIGNATURE</u>	68
------------------	----

**Table of Contents**

**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 of Cash America International, Inc. (the Company) with respect to the business, financial condition and prospects of the Company. When used in this report, terms such as believes, estimates, should, could, would, plans, expects, anticipates, may, forecast, project and similar expressions or variations as 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:

changes in domestic and foreign pawn, consumer credit, tax and other laws and government rules and regulations applicable to the Company's business, or changes in the interpretation or enforcement thereof, and the anticipated regulation of consumer financial products and services by the Consumer Financial Protection Bureau;

acceptance by consumers, legislators and regulators of the negative characterization by the media and consumer activists with respect to certain of the Company's loan products;

the reorganization of the Company's Mexico-based pawn operations;

the deterioration of the political, regulatory or economic environment in foreign countries where the Company operates or in the future may operate;

the actions of third parties who provide, acquire or offer products and services to, from or for the Company;

changes in demand for the Company's services and the continued acceptance of the online channel by the Company's online loan customers;

fluctuations in the price of gold or a deterioration in economic conditions;

changes in competition;

the ability of the Company to open new locations in accordance with plans or to successfully integrate newly acquired businesses into the Company's operations;

interest rate and foreign currency exchange rate fluctuations;

the effect of any current or future litigation proceedings and any judicial decisions or rule-making that could render the Company's arbitration agreements illegal or unenforceable;

## Edgar Filing: CASH AMERICA INTERNATIONAL INC - Form 10-Q

changes in the capital markets, including the debt and equity markets;

changes in the Company's ability to satisfy its debt obligations or to refinance existing debt obligations or obtain new capital to finance growth;

a prolonged interruption in the Company's operations of its facilities, systems and business functions, including its information technology and other business systems;

security breaches, cyber attacks or fraudulent activity;

the implementation of new, or changes in the interpretation of existing, accounting principles or financial reporting requirements;

acts of God, war or terrorism, pandemics and other events;

the effect of any of such 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 (the "SEC").

The foregoing list of factors is not exhaustive and new factors may emerge or changes to these factors may occur that would impact the Company's business. Additional information regarding these and other factors may be contained in the Company's 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 what 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.

**Table of Contents****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, 2012	September 30, 2011	December 31, 2011
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 78,663	\$ 54,364	\$ 62,542
Pawn loans	254,077	244,441	253,519
Consumer loans, net	256,825	191,642	222,778
Merchandise held for disposition, net	171,285	166,365	161,884
Pawn loan fees and service charges receivable	48,771	45,066	48,003
Income taxes receivable	684		
Prepaid expenses and other assets	36,912	32,095	31,301
Deferred tax assets	39,826	29,070	35,065
Total current assets	887,043	763,043	815,092
Property and equipment, net	258,214	236,325	246,429
Goodwill	599,337	538,169	562,721
Intangible assets, net	34,877	26,668	34,771
Other assets	12,936	13,948	15,236
Total assets	\$ 1,792,407	\$ 1,578,153	\$ 1,674,249
<b>Liabilities and Equity</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 109,986	\$ 95,574	\$ 113,113
Customer deposits	12,944	10,588	9,935
Income taxes currently payable		10,520	12,880
Current portion of long-term debt	44,205	21,856	34,273
Total current liabilities	167,135	138,538	170,201
Deferred tax liabilities	102,048	88,980	89,712
Noncurrent income tax payable	2,697	2,343	2,315
Other liabilities	1,007	1,522	1,413
Long-term debt	545,258	470,124	503,018
Total liabilities	\$ 818,145	\$ 701,507	\$ 766,659
Equity:			
Cash America International, Inc. equity:			
Common stock, \$0.10 par value per share, 80,000,000 shares authorized, 30,235,164 shares issued and outstanding	3,024	3,024	3,024
Additional paid-in capital	157,874	167,193	167,683
Retained earnings	855,972	739,256	776,060
Accumulated other comprehensive income (loss)	4,366	(2,352)	(6,896)
Treasury shares, at cost (1,214,646 shares, 982,735 shares and 1,011,356 shares at September 30, 2012 and 2011, and at December 31, 2011, respectively)	(46,175)	(35,752)	(37,419)
Total Cash America International, Inc. shareholders' equity	975,061	871,369	902,452
Noncontrolling interest	(799)	5,277	5,138

Edgar Filing: CASH AMERICA INTERNATIONAL INC - Form 10-Q

Total equity	974,262	876,646	907,590
Total liabilities and equity	\$ 1,792,407	\$ 1,578,153	\$ 1,674,249

*See notes to consolidated financial statements.*

**Table of Contents****CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME***(in thousands, except per share data)*

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
<b>Revenue</b>				
Pawn loan fees and service charges	\$ 76,500	\$ 74,399	\$ 221,450	\$ 206,134
Proceeds from disposition of merchandise	153,493	157,886	517,832	473,688
Consumer loan fees	205,094	162,981	558,656	418,522
Other	4,607	3,038	10,888	10,763
<b>Total Revenue</b>	<b>439,694</b>	<b>398,304</b>	<b>1,308,826</b>	<b>1,109,107</b>
<b>Cost of Revenue</b>				
Disposed merchandise	106,918	102,274	350,878	302,472
Consumer loan loss provision	84,299	60,576	219,079	145,205
<b>Total Cost of Revenue</b>	<b>191,217</b>	<b>162,850</b>	<b>569,957</b>	<b>447,677</b>
<b>Net Revenue</b>	<b>248,477</b>	<b>235,454</b>	<b>738,869</b>	<b>661,430</b>
<b>Expenses</b>				
Operations and administration	181,215	157,439	515,560	445,613
Depreciation and amortization	27,074	14,850	56,882	39,600
<b>Total Expenses</b>	<b>208,289</b>	<b>172,289</b>	<b>572,442</b>	<b>485,213</b>
<b>Income from Operations</b>	<b>40,188</b>	<b>63,165</b>	<b>166,427</b>	<b>176,217</b>
Interest expense	(7,196)	(6,865)	(21,065)	(18,307)
Interest income	22	14	79	56
Foreign currency transaction gain (loss)	93	(777)	(72)	(1,058)
Equity in loss of unconsolidated subsidiary	(61)	(34)	(209)	(70)
<b>Income before Income Taxes</b>	<b>33,046</b>	<b>55,503</b>	<b>145,160</b>	<b>156,838</b>
Provision for income taxes	25,116	20,974	67,487	59,277
<b>Net Income</b>	<b>7,930</b>	<b>34,529</b>	<b>77,673</b>	<b>97,561</b>
Net loss attributable to the noncontrolling interest	3,773	248	5,317	575
<b>Net Income Attributable to Cash America International, Inc.</b>	<b>\$ 11,703</b>	<b>\$ 34,777</b>	<b>\$ 82,990</b>	<b>\$ 98,136</b>
<b>Earnings Per Share:</b>				
Net Income attributable to Cash America International, Inc. common shareholders:				
Basic	\$ 0.40	\$ 1.18	\$ 2.80	\$ 3.31
Diluted	\$ 0.37	\$ 1.08	\$ 2.62	\$ 3.07
Weighted average common shares outstanding:				
Basic	29,536	29,535	29,599	29,626
Diluted	31,375	32,248	31,643	31,969
Dividends declared per common share	\$ 0.035	\$ 0.035	\$ 0.105	\$ 0.105

*See notes to consolidated financial statements.*



**Table of Contents**

**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

*(dollars in thousands)*

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
<b>Net income</b>	\$ 7,930	\$ 34,529	\$ 77,673	\$ 97,561
<b>Other comprehensive gain (loss), net of tax:</b>				
Unrealized derivatives gain <sup>(a)</sup>		31	12	70
Foreign currency translation gain (loss) <sup>(b)</sup>	7,664	(14,352)	10,038	(8,573)
Marketable securities unrealized gain (loss) <sup>(c)</sup>	767	(29)	1,311	879
Total other comprehensive gain (loss), net of tax	8,431	(14,350)	11,361	(7,624)
<b>Comprehensive income</b>	\$ 16,361	\$ 20,179	\$ 89,034	\$ 89,937
Net loss attributable to the noncontrolling interest	3,773	248	5,317	575
Foreign currency translation (loss) gain, net of tax, attributable to the noncontrolling interest	(77)	803	(99)	475
Comprehensive loss attributable to the noncontrolling interest	3,696	1,051	5,218	1,050
<b>Comprehensive Income Attributable to Cash America International, Inc.</b>	\$ 20,057	\$ 21,230	\$ 94,252	\$ 90,987

<sup>(a)</sup> Net of tax benefit (provision) of \$0 and \$(16) for the three months ended September 30, 2012 and 2011, respectively, and \$(6) and \$(37) for the nine months ended September 30, 2012 and 2011, respectively.

<sup>(b)</sup> Net of tax benefit (provision) of \$(1,529) and \$167 for the three months ended September 30, 2012 and 2011, respectively, and \$(1,581) and \$17 for the nine months ended September 30, 2012 and 2011, respectively.

<sup>(c)</sup> Net of tax benefit (provision) of \$(413) and \$16 for the three months ended September 30, 2012 and 2011, respectively, and \$(705) and \$(473) for the nine months ended September 30, 2012 and 2011, respectively.

*See notes to consolidated financial statements.*

Table of Contents

## CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF EQUITY

*(dollars in thousands, except per share data)*

(Unaudited)

	Common Stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury shares, at cost		Total share- holders equity	Non-controlling interest	Total Equity
	Shares	Amount				Shares	Amount			
<b>Balance at January 1, 2011</b>	<b>30,235,164</b>	<b>\$ 3,024</b>	<b>\$ 165,658</b>	<b>\$ 644,208</b>	<b>\$ 4,797</b>	<b>(685,315)</b>	<b>\$ (21,283)</b>	<b>\$ 796,404</b>	<b>\$ 6,327</b>	<b>\$ 802,731</b>
Shares issued under stock-based plans			(2,904)			94,982	3,009	105		105
Stock-based compensation expense			3,936					3,936		3,936
Income tax benefit from stock-based compensation			503					503		503
Net income attributable to Cash America International, Inc.				98,136				98,136		98,136
Dividends paid				(3,088)				(3,088)		(3,088)
Unrealized derivatives gain, net of tax					70			70		70
Foreign currency translation loss, net of tax					(8,098)			(8,098)	(475)	(8,573)
Marketable securities unrealized gain, net of tax					879			879		879
Purchases of treasury shares						(392,402)	(17,478)	(17,478)		(17,478)
Loss attributable to the noncontrolling interest									(575)	(575)
<b>Balance at September 30, 2011</b>	<b>30,235,164</b>	<b>\$ 3,024</b>	<b>\$ 167,193</b>	<b>\$ 739,256</b>	<b>\$ (2,352)</b>	<b>(982,735)</b>	<b>\$ (35,752)</b>	<b>\$ 871,369</b>	<b>\$ 5,277</b>	<b>\$ 876,646</b>
<b>Balance at January 1, 2012</b>	<b>30,235,164</b>	<b>\$ 3,024</b>	<b>\$ 167,683</b>	<b>\$ 776,060</b>	<b>\$ (6,896)</b>	<b>(1,011,356)</b>	<b>\$ (37,419)</b>	<b>\$ 902,452</b>	<b>\$ 5,138</b>	<b>\$ 907,590</b>
Shares issued under stock-based plans			(8,208)			250,470	9,459	1,251		1,251
Stock-based compensation expense			3,982					3,982		3,982
Income tax benefit from stock-based compensation			2,082					2,082		2,082
Net income attributable to Cash America International, Inc.				82,990				82,990		82,990
Dividends paid				(3,078)				(3,078)		(3,078)
Unrealized derivatives gain, net of tax					12			12		12
Foreign currency translation gain, net of tax					9,939			9,939	99	10,038
Marketable securities unrealized gain, net of tax					1,311			1,311		1,311
Purchases of treasury shares						(453,760)	(18,215)	(18,215)		(18,215)
Loss attributable to the noncontrolling interest									(5,317)	(5,317)
Purchase of noncontrolling interest			(7,665)					(7,665)	(719)	(8,384)
<b>Balance at September 30, 2012</b>	<b>30,235,164</b>	<b>\$ 3,024</b>	<b>\$ 157,874</b>	<b>\$ 855,972</b>	<b>\$ 4,366</b>	<b>(1,214,646)</b>	<b>\$ (46,175)</b>	<b>\$ 975,061</b>	<b>\$ (799)</b>	<b>\$ 974,262</b>

*See notes to consolidated financial statements.*



**Table of Contents**

**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*(dollars in thousands)*

(Unaudited)

	Nine Months Ended September 30,	
	2012	2011
<b>Cash Flows from Operating Activities</b>		
Net Income	\$ 77,673	\$ 97,561
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	56,882	39,600
Amortization of debt discount and issuance costs	2,835	2,652
Consumer loan loss provision	219,079	