

FIRST CASH FINANCIAL SERVICES INC

Form 10-Q

October 28, 2015

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended 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 0-19133

FIRST CASH FINANCIAL SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware

75-2237318

(State or other jurisdiction of incorporation or  
organization)

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

690 East Lamar Blvd., Suite 400

76011

Arlington, Texas

(Zip Code)

(Address of principal executive offices)

(817) 460-3947

(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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of October 26, 2015, there were 27,806,440 shares of common stock outstanding.

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FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2015

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CAUTIONARY STATEMENT REGARDING RISKS AND UNCERTAINTIES THAT MAY AFFECT FUTURE RESULTS

Forward-Looking Information

This quarterly report contains forward-looking statements about the business, financial condition and prospects of First Cash Financial Services, Inc. and its wholly owned subsidiaries (together, the “Company”). Forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, can be identified by the use of forward-looking terminology such as “believes,” “projects,” “expects,” “may,” “estimates,” “should,” “plans,” “targets,” “in,” “could,” or “anticipates,” or the negative thereof, or other variations thereon, or comparable terminology, or by discussions of strategy or objectives. Forward-looking statements can also be identified by the fact that these statements do not relate strictly to historical or current matters. Rather, forward-looking statements relate to anticipated or expected events, activities, trends or results. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties.

Forward-looking statements in this quarterly report include, without limitation, the Company’s expectations of earnings per share, earnings growth, expansion strategies, the impact of new or existing regulations, store openings, liquidity (including the availability of capital under existing credit facilities), cash flow, consumer demand for the Company’s products and services, income tax rates, currency exchange rates, future share repurchases and the price of gold and the impacts thereof, earnings and related transaction expenses from acquisitions and mergers, the ability to successfully integrate acquisitions and other performance results. These statements are made to provide the public with management’s current assessment of the Company’s business. Although the Company believes the expectations reflected in forward-looking statements are reasonable, there can be no assurances such expectations will prove to be accurate. Security holders are cautioned such forward-looking statements involve risks and uncertainties. Certain factors may cause results to differ materially from those anticipated by the forward-looking statements made in this quarterly report. Such factors are difficult to predict and many are beyond the control of the Company and may include, without limitation, the following:

- changes in regional, national or international economic conditions, including inflation rates, unemployment rates and energy prices;
- changes in foreign currency exchange rates and the Mexican peso to U.S. dollar exchange rate in particular;
- changes in consumer demand, including purchasing, borrowing and repayment behaviors;
- changes in pawn forfeiture rates and credit loss provisions;
- changes in the market value of pawn collateral and merchandise inventories, including gold prices and the value of consumer electronics and other products;
- changes or increases in competition;
- the ability to locate, open and staff new stores and successfully integrate acquisitions;
- the availability or access to sources of used merchandise inventory;
- changes in credit markets, interest rates and the ability to establish, renew and/or extend the Company’s debt financing;
- the ability to maintain banking relationships for treasury services and processing of certain consumer lending transactions;
- the ability to hire and retain key management personnel;
- new federal, state or local legislative initiatives or governmental regulations (or changes to existing laws and regulations) affecting pawn businesses, consumer loan businesses and credit services organizations (in both the United States and Mexico), including administrative or legal interpretations thereto;
- risks and uncertainties related to foreign operations in Mexico;
- changes in import/export regulations and tariffs or duties;
- changes in banking, anti-money laundering or gun control regulations;
- unforeseen litigation or regulatory investigations;
- changes in tax rates or policies in the U.S. and Mexico;
- inclement weather, natural disasters and public health issues;

security breaches, cyber attacks or fraudulent activity;  
a prolonged interruption in the Company's operations of its facilities, systems, and business functions, including its  
information technology and other business systems;  
the implementation of new, or changes in the interpretation of existing, accounting principles or financial reporting  
requirements; and  
future business decisions.

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These and other risks, uncertainties and regulatory developments are further and more completely described in the Company's 2014 annual report on Form 10-K filed with the Securities and Exchange Commission on February 12, 2015, including the risks described in Part 1, Item 1A, "Risk Factors" of the Company's annual report. Many of these risks and uncertainties are beyond the ability of the Company to control, nor can the Company predict, in many cases, all of the risks and uncertainties that could cause its actual results to differ materially from those indicated by the forward-looking statements. The forward-looking statements contained in this quarterly report speak only as of the date of this quarterly report, and the Company expressly disclaims any obligation or undertaking to report any updates or revisions to any such statement to reflect any change in the Company's expectations or any change in events, conditions or circumstances on which any such statement is based, except as required by law.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

FIRST CASH FINANCIAL SERVICES, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(unaudited, in thousands)

|  | September 30,<br>2015 | 2014       | December 31,<br>2014 |
|--|-----------------------|------------|----------------------|
| <b>ASSETS</b>  |                       |            |                      |
| Cash and cash equivalents  | \$ 72,523             | \$ 42,760  | \$ 67,992            |
| Pawn loan fees and service charges receivable  | 18,116                | 19,481     | 16,926               |
| Pawn loans   | 128,370               | 136,981    | 118,536              |
| Consumer loans, net  | 1,114                 | 1,510      | 1,241                |
| Inventories  | 98,188                | 94,890     | 91,088               |
| Prepaid expenses and other current assets  | 5,815                 | 6,292      | 4,970                |
| Deferred tax assets  | 6,632                 | 6,299      | 7,122                |
| Total current assets   | 330,758               | 308,213    | 307,875              |
| Property and equipment, net  | 110,285               | 115,115    | 113,750              |
| Goodwill   | 291,777               | 264,875    | 276,882              |
| Other non-current assets   | 14,297                | 16,464     | 16,168               |
| Deferred tax assets  | 8,085                 | —          | —                    |
| Total assets   | \$ 755,202            | \$ 704,667 | \$ 714,675           |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                       |            |                      |
| Accounts payable and accrued liabilities   | \$ 46,129             | \$ 50,178  | \$ 42,559            |
| Income taxes payable   | 843                   | —          | —                    |
| Total current liabilities  | 46,972                | 50,178     | 42,559               |
| Revolving unsecured credit facilities  | 68,500                | 17,500     | 22,400               |
| Senior unsecured notes   | 200,000               | 200,000    | 200,000              |
| Deferred tax liabilities   | —                     | 7,535      | 1,165                |
| Total liabilities  | 315,472               | 275,213    | 266,124              |
| Stockholders' equity:  |                       |            |                      |
| Preferred stock  | —                     | —          | —                    |
| Common stock   | 399                   | 395        | 397                  |
| Additional paid-in capital   | 192,787               | 182,119    | 188,062              |
| Retained earnings  | 624,194               | 555,953    | 582,894              |
| Accumulated other comprehensive loss from<br>cumulative foreign currency translation adjustments | (49,042)              | ) (12,379  | ) (26,168 )          |
| Common stock held in treasury, at cost   | (328,608)             | ) (296,634 | ) (296,634 )         |
| Total stockholders' equity   | 439,730               | 429,454    | 448,551              |
| Total liabilities and stockholders' equity   | \$ 755,202            | \$ 704,667 | \$ 714,675           |

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



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FIRST CASH FINANCIAL SERVICES, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(unaudited, in thousands, except per share amounts)

|   | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |            |
|---|-------------------------------------|------------|------------------------------------|------------|
|   | 2015                                | 2014       | 2015                               | 2014       |
| Revenue:  |                                     |            |                                    |            |
| Retail merchandise sales                              | \$ 104,937                          | \$ 101,950 | \$ 321,016                         | \$ 297,846 |
| Pawn loan fees  | 49,882                              | 51,778     | 146,119                            | 146,971    |
| Consumer loan and credit services fees                | 6,995                               | 9,474      | 21,300                             | 27,674     |
| Wholesale scrap jewelry revenue                       | 7,718                               | 11,798     | 24,743                             | 37,612     |
| Total revenue   | 169,532                             | 175,000    | 513,178                            | 510,103    |
| Cost of revenue:                                      |                                     |            |                                    |            |
| Cost of retail merchandise sold                       | 64,875                              | 62,780     | 198,757                            | 182,363    |
| Consumer loan and credit services loss provision      | 2,368                               | 2,913      | 5,074                              | 6,892      |
| Cost of wholesale scrap jewelry sold                  | 6,847                               | 10,444     | 21,088                             | 31,608     |
| Total cost of revenue                                 | 74,090                              | 76,137     | 224,919                            | 220,863    |
| Net revenue   | 95,442                              | 98,863     | 288,259                            | 289,240    |
| Expenses and other income:                            |                                     |            |                                    |            |
| Store operating expenses                              | 50,995                              | 49,293     | 155,062                            | 146,719    |
| Administrative expenses                               | 11,733                              | 13,406     | 40,240                             | 40,350     |
| Depreciation and amortization                         | 4,637                               | 4,404      | 13,651                             | 13,001     |
| Goodwill impairment - U.S. consumer loan operations   | 7,913                               | —          | 7,913                              | —          |
| Interest expense                                      | 4,336                               | 4,059      | 12,482                             | 9,405      |
| Interest income                                       | (406)                               | (179)      | (1,143)                            | (522)      |
| Total expenses and other income                       | 79,208                              | 70,983     | 228,205                            | 208,953    |
| Income from continuing operations before income taxes | 16,234                              | 27,880     | 60,054                             | 80,287     |
| Provision for income taxes                            | 5,061                               | 8,352      | 18,754                             | 21,790     |
| Income from continuing operations                     | 11,173                              | 19,528     | 41,300                             | 58,497     |
| Loss from discontinued operations, net of tax         | —                                   | —          | —                                  | (272)      |
| Net income  | \$ 11,173                           | \$ 19,528  | \$ 41,300                          | \$ 58,225  |
| Basic income per share:                               |                                     |            |                                    |            |
| Income from continuing operations                     | \$ 0.40                             | \$ 0.69    | \$ 1.46                            | \$ 2.03    |
| Loss from discontinued operations                     | —                                   | —          | —                                  | (0.01)     |
| Net income per basic share                            | \$ 0.40                             | \$ 0.69    | \$ 1.46                            | \$ 2.02    |
| Diluted income per share:                             |                                     |            |                                    |            |
| Income from continuing operations                     | \$ 0.40                             | \$ 0.68    | \$ 1.45                            | \$ 2.01    |



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|                                   |        |        |        |        |   |
|-----------------------------------|--------|--------|--------|--------|---|
| Loss from discontinued operations | —      | —      | —      | (0.01  | ) |
| Net income per diluted share      | \$0.40 | \$0.68 | \$1.45 | \$2.00 |   |

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

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FIRST CASH FINANCIAL SERVICES, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
 (unaudited, in thousands)

|  | Three Months Ended |             | Nine Months Ended |           |
|--|--------------------|-------------|-------------------|-----------|
|  | September 30,      |             | September 30,     |           |
|  | 2015               | 2014        | 2015              | 2014      |
| Net income                             | \$ 11,173          | \$ 19,528   | \$ 41,300         | \$ 58,225 |
| Other comprehensive income (loss):     |                    |             |                   |           |
| Currency translation adjustment, gross | (21,536            | ) (7,600    | ) (35,191         | ) (7,120  |
| Tax benefit                            | 7,538              | 2,660       | 12,317            | 2,492     |
| Comprehensive income (loss)            | \$(2,825           | ) \$ 14,588 | \$ 18,426         | \$ 53,597 |

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

FIRST CASH FINANCIAL SERVICES, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
 (unaudited, in thousands)

|   | Preferred Stock |        | Common Stock |        | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Common Stock Held in Treasury |             | Total Stockholders' Equity |
|---|-----------------|--------|--------------|--------|----------------------------|-------------------|--------------------------------------|-------------------------------|-------------|----------------------------|
|   | Shares          | Amount | Shares       | Amount |                            |                   |                                      | Shares                        | Amount      |                            |
| Balance at 12/31/2014                             | —               | \$—    | 39,708       | \$397  | \$ 188,062                 | \$ 582,894        | \$(26,168                            | ) 11,200                      | \$(296,634) | \$ 448,551                 |
| Shares issued under share-based compensation plan | —               | —      | 5            | —      | —                          | —                 | —                                    | —                             | —           | —                          |
| Exercise of stock options                         | —               | —      | 145          | 2      | 2,899                      | —                 | —                                    | —                             | —           | 2,901                      |
| Income tax benefit from exercise of stock options | —               | —      | —            | —      | 1,617                      | —                 | —                                    | —                             | —           | 1,617                      |
| Share-based compensation expense                  | —               | —      | —            | —      | 209                        | —                 | —                                    | —                             | —           | 209                        |
| Net income  | —               | —      | —            | —      | —                          | 41,300            | —                                    | —                             | —           | 41,300                     |
| Currency translation adjustment, net of tax       | —               | —      | —            | —      | —                          | —                 | (22,874                              | ) —                           | —           | (22,874                    |
|   | —               | —      | —            | —      | —                          | —                 | —                                    | 661                           | (31,974     | ) (31,974                  |

Repurchases of  
treasury stock

|                         |   |     |        |       |           |           |            |          |             |           |
|-------------------------|---|-----|--------|-------|-----------|-----------|------------|----------|-------------|-----------|
| Balance at<br>9/30/2015 | — | \$— | 39,858 | \$399 | \$192,787 | \$624,194 | \$(49,042) | ) 11,861 | \$(328,608) | \$439,730 |
|-------------------------|---|-----|--------|-------|-----------|-----------|------------|----------|-------------|-----------|

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

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FIRST CASH FINANCIAL SERVICES, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
 CONTINUED  
 (unaudited, in thousands)

|   | Preferred Stock |        | Common Stock |        | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Common Stock Held in Treasury |             | Total Stockholders' Equity |
|---|-----------------|--------|--------------|--------|----------------------------|-------------------|--------------------------------------|-------------------------------|-------------|----------------------------|
|   | Shares          | Amount | Shares       | Amount |                            |                   |                                      | Shares                        | Amount      |                            |
| Balance at 12/31/2013                             | —               | \$—    | 39,377       | \$394  | \$176,675                  | \$497,728         | \$(7,751 )                           | 10,429                        | \$(252,687) | \$414,359                  |
| Shares issued under share-based compensation plan | —               | —      | 5            | —      | —                          | —                 | —                                    | —                             | —           | —                          |
| Exercise of stock options                         | —               | —      | 125          | 1      | 2,261                      | —                 | —                                    | —                             | —           | 2,262                      |
| Income tax benefit from exercise of stock options | —               | —      | —            | —      | 1,813                      | —                 | —                                    | —                             | —           | 1,813                      |
| Share-based compensation expense                  | —               | —      | —            | —      | 1,370                      | —                 | —                                    | —                             | —           | 1,370                      |
| Net income  | —               | —      | —            | —      | —                          | 58,225            | —                                    | —                             | —           | 58,225                     |
| Currency translation adjustment, net of tax       | —               | —      | —            | —      | —                          | —                 | (4,628 )                             | —                             | —           | (4,628 )                   |
| Repurchases of treasury stock                     | —               | —      | —            | —      | —                          | —                 | —                                    | 771                           | (43,947 )   | (43,947 )                  |
| Balance at 9/30/2014                              | —               | \$—    | 39,507       | \$395  | \$182,119                  | \$555,953         | \$(12,379)                           | 11,200                        | \$(296,634) | \$429,454                  |

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

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FIRST CASH FINANCIAL SERVICES, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (unaudited, in thousands)

|  | Nine Months Ended<br>September 30, |            |
|--|------------------------------------|------------|
|  | 2015                               | 2014       |
| Cash flow from operating activities:   |                                    |            |
| Net income   | \$41,300                           | \$58,225   |
| Adjustments to reconcile net income to net cash flow provided by operating activities: |                                    |            |
| Non-cash portion of credit loss provision  | 466                                | 797        |
| Share-based compensation expense   | 209                                | 1,370      |
| Depreciation and amortization expense  | 13,651                             | 13,001     |
| Amortization of debt issuance costs  | 715                                | 633        |
| Impairment of goodwill - U.S. consumer loan operations                                 | 7,913                              | —          |
| Deferred income taxes  | 2,293                              | 1,488      |
| Changes in operating assets and liabilities, net of business combinations:             |                                    |            |
| Pawn fees and service charges receivable   | (2,203                             | ) (3,084   |
| Merchandise inventories  | (3,310                             | ) (3,548   |
| Prepaid expenses and other assets  | (1,731                             | ) (906     |
| Accounts payable and accrued expenses  | 4,428                              | 10,502     |
| Income taxes payable, current  | 1,391                              | (9,150     |
| Net cash flow provided by operating activities   | 65,122                             | 69,328     |
| Cash flow from investing activities:   |                                    |            |
| Loan receivables, net of cash repayments   | (22,299                            | ) (24,324  |
| Purchases of property and equipment  | (15,528                            | ) (17,801  |
| Acquisitions of pawn stores, net of cash acquired                                      | (33,015                            | ) (34,873  |
| Net cash flow used in investing activities   | (70,842                            | ) (76,998  |
| Cash flow from financing activities:   |                                    |            |
| Borrowings from revolving credit facilities  | 82,055                             | 25,500     |
| Repayments of revolving credit facilities  | (35,955                            | ) (190,000 |
| Repayments of notes payable  | —                                  | (8,352     |
| Issuance of senior unsecured notes   | —                                  | 200,000    |
| Debt issuance costs paid   | —                                  | (6,601     |
| Purchases of treasury stock  | (31,974                            | ) (43,947  |
| Proceeds from exercise of share-based compensation awards                              | 2,901                              | 2,262      |
| Income tax benefit from exercise of stock options                                      | 1,617                              | 1,813      |
| Net cash flow provided by (used in) financing activities                               | 18,644                             | (19,325    |
| Effect of exchange rates on cash   | (8,393                             | ) (888     |
| Change in cash and cash equivalents  | 4,531                              | (27,883    |
| Cash and cash equivalents at beginning of the period                                   | 67,992                             | 70,643     |
| Cash and cash equivalents at end of the period   | \$72,523                           | \$42,760   |

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

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FIRST CASH FINANCIAL SERVICES, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

Note 1 - Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated balance sheet at December 31, 2014, which is derived from audited financial statements, and the unaudited condensed consolidated financial statements, including the notes thereto, include the accounts of First Cash Financial Services, Inc. and its wholly-owned subsidiaries (together, the “Company”). All significant intercompany accounts and transactions have been eliminated.

These unaudited consolidated financial statements are condensed and do not include all disclosures and footnotes required by generally accepted accounting principles in the United States of America for complete financial statements. These interim period financial statements should be read in conjunction with the Company’s consolidated financial statements, which are included in the Company’s annual report on Form 10-K for the year ended December 31, 2014, filed with the Securities and Exchange Commission (the “SEC”) on February 12, 2015. The condensed consolidated financial statements as of September 30, 2015 and 2014, and for the three month and nine month periods ended September 30, 2015 and 2014, are unaudited, but in management’s opinion include all adjustments (consisting of only normal recurring adjustments) considered necessary to present fairly the financial position, results of operations and cash flow for such interim periods. Operating results for the periods ended September 30, 2015 are not necessarily indicative of the results that may be expected for the full fiscal year.

The Company manages its pawn and consumer loan operations under three operating segments: U.S. pawn operations, U.S. consumer loan operations and Mexico operations. The three operating segments have been aggregated into one reportable segment because they have similar economic characteristics and similar long-term financial performance metrics. Additionally, all three segments offer similar and overlapping products and services to a similar customer demographic and are supported by a single, centralized administrative support platform.

The Company has significant operations in Mexico where the functional currency for the Company’s operating subsidiaries is the Mexican peso. Accordingly, the assets and liabilities of these subsidiaries are translated into U.S. dollars at the exchange rate in effect at each balance sheet date, and the resulting adjustments are accumulated in other comprehensive income (loss) as a separate component of stockholders’ equity. Revenue and expenses are translated at the average exchange rates occurring during the three month and nine month periods ended September 30, 2015.

Certain amounts in prior year comparative presentations have been reclassified in order to conform to the 2015 presentation.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board issued ASU No. 2014-08, “Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360)” (“ASU 2014-08”). ASU 2014-08 requires a disposal representing a strategic shift that has (or will have) a major effect on an entity’s financial results or a business activity classified as held for sale should be reported as discontinued operations. ASU 2014-08 also expands the disclosure requirements for discontinued operations and adds new disclosures for individually significant dispositions that do not qualify as discontinued operations. ASU 2014-08 is effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2014. The adoption of ASU 2014-08 did not have a material effect on the Company’s current financial position, results of operations or financial statement disclosures,

however, it may impact the reporting of future discontinued operations if and when they occur.

In May 2014, the Financial Accounting Standards Board issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”). ASU 2014-09 is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In August 2015, the Financial Accounting Standards Board issued ASU 2015-14, which delayed the effective date of ASU 2014-09 by one year resulting in it becoming effective for annual reporting periods (including interim periods within those periods) beginning after December 15, 2017 for public companies. Early adoption is permitted but not before annual reporting periods beginning after December 15, 2016. The Company is currently assessing the potential impact of ASU 2014-09 on its consolidated financial statements.

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In April 2015, the Financial Accounting Standards Board issued ASU No. 2015-03, “Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”). ASU 2015-03 requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. In August 2015, the Financial Accounting Standards Board issued ASU No. 2015-15, which clarified the guidance in ASU 2015-03 regarding presentation and subsequent measurement of debt issuance costs related to line-of-credit arrangements. The SEC Staff announced they 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. ASU 2015-03 requires retrospective application and represents a change in accounting principle. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not been previously issued. The Company does not expect ASU 2015-03 to have a material effect on the Company’s results of operations, however, it will impact future balance sheet presentation and financial statement disclosures related to the Company’s debt issuance costs, upon adoption.

In July 2015, the Financial Accounting Standards Board issued ASU No. 2015-11, “Simplifying the Measurement of Inventory” (“ASU 2015-11”). ASU 2015-11 requires inventory be measured at the lower of cost or net realizable value. ASU 2015-11 defines net realizable value as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Inventory measured using last-in, first-out (“LIFO”) or the retail inventory method are excluded from the scope of this update. ASU 2015-11 requires prospective application and is effective for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years, with early adoption permitted. The Company does not expect ASU 2015-11 to have a material effect on the Company’s current financial position, results of operations or financial statement disclosures.

In September 2015, the Financial Accounting Standards Board issued ASU No. 2015-16, “Simplifying the Accounting for Measurement-Period Adjustments” (“ASU 2015-16”). ASU 2015-16 requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amount is determined. ASU 2015-16 is effective prospectively for fiscal years, and interim reporting periods within those years, beginning on or after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. The adoption of ASU 2015-16 did not have a material effect on the Company’s current financial position, results of operations or financial statement disclosures.



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## Note 2 - Earnings Per Share

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

|  | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|--|-------------------------------------|-----------|------------------------------------|-----------|
|  | 2015                                | 2014      | 2015                               | 2014      |
| Numerator:   |                                     |           |                                    |           |
| Income from continuing operations for calculating basic and diluted earnings per share | \$ 11,173                           | \$ 19,528 | \$ 41,300                          | \$ 58,497 |
| Loss from discontinued operations  | —                                   | —         | —                                  | (272 )    |
| Net income for calculating basic and diluted earnings per share                        | \$ 11,173                           | \$ 19,528 | \$ 41,300                          | \$ 58,225 |
| Denominator:   |                                     |           |                                    |           |
| Weighted-average common shares for calculating basic earnings per share                | 28,019                              | 28,397    | 28,206                             | 28,762    |
| Effect of dilutive securities:   |                                     |           |                                    |           |
| Stock options and nonvested awards   | 205                                 | 408       | 212                                | 398       |
| Weighted-average common shares for calculating diluted earnings per share              | 28,224                              | 28,805    | 28,418                             | 29,160    |
| Basic earnings per share:  |                                     |           |                                    |           |
| Income from continuing operations  | \$ 0.40                             | \$ 0.69   | \$ 1.46                            | \$ 2.03   |
| Loss from discontinued operations  | —                                   | —         | —                                  | (0.01 )   |
| Net income per basic share   | \$ 0.40                             | \$ 0.69   | \$ 1.46                            | \$ 2.02   |
| Diluted earnings per share:  |                                     |           |                                    |           |
| Income from continuing operations  | \$ 0.40                             | \$ 0.68   | \$ 1.45                            | \$ 2.01   |
| Loss from discontinued operations  | —                                   | —         | —                                  | (0.01 )   |
| Net income per diluted share   | \$ 0.40                             | \$ 0.68   | \$ 1.45                            | \$ 2.00   |

## Note 3 - Acquisitions

The Company completed acquisitions during the nine months ended September 30, 2015 as described below consistent with its strategy to continue its expansion of pawn stores in selected markets. The purchase price of each acquisition was allocated to assets and liabilities acquired based upon their estimated fair market values at the date of acquisition. The excess purchase price over the estimated fair market value of the net assets acquired has been recorded as goodwill. The goodwill arising from these acquisitions consists largely of the synergies and economies of scale expected from combining the operations of the Company and the pawn stores acquired.

During the nine months ended September 30, 2015, 30 pawn stores located in five U.S. states were acquired by the Company in five separate asset purchase transactions (“U.S. Acquisitions”) for an aggregate purchase price of \$33,240,000, net of cash acquired, and was composed of \$32,090,000 in cash and payables to the sellers of \$1,150,000. During the nine months ended September 30, 2015, the Company also paid \$925,000 of purchase price amounts payable related to prior-year acquisitions.



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The preliminary allocations of the purchase prices for the U.S. Acquisitions are as follows (in thousands):

|   | U.S.<br>Acquisitions |
|---|----------------------|
| Pawn loans                                    | \$ 3,438             |
| Pawn loan fees and service charges receivable | 204                  |
| Inventory                                     | 2,608                |
| Other current assets                          | 9                    |
| Property and equipment                        | 310                  |
| Goodwill (1)                                  | 26,506               |
| Intangible assets (2)                         | 513                  |
| Other non-current assets                      | 5                    |
| Current liabilities                           | (353 )               |
| Purchase price                                | \$ 33,240            |

(1) Substantially all of the goodwill is expected to be deductible for U.S. income tax purposes.

Intangible assets primarily consist of customer relationships, which are included in other non-current assets in the (2) accompanying condensed consolidated balance sheets. Customer relationships are generally amortized over five years.

During the nine months ended September 30, 2015, revenue from the U.S. Acquisitions since the acquisition dates was \$5,498,000. During the nine months ended September 30, 2015, the net loss from the U.S. Acquisitions since the acquisition dates (including acquisition and integration costs) was \$349,000. Combined transaction and integration costs related to acquisitions during the nine months ended September 30, 2015 were approximately \$1,175,000, which are primarily included in administrative expenses in the accompanying condensed consolidated statements of income.

#### Note 4 - Long-Term Debt

##### Senior Unsecured Notes

On March 24, 2014, the Company issued \$200,000,000 of 6.75% senior notes due on April 1, 2021 (the “Notes”). Interest on the Notes is payable semi-annually in arrears on April 1 and October 1. The Notes permit the Company to make certain restricted payments, such as repurchasing shares of its stock and paying cash dividends, within certain parameters, the most restrictive of which generally limits such restricted payments to 50% of adjusted net income.

##### Revolving Credit Facilities

At September 30, 2015, the Company maintained a line of credit with a group of U.S. based commercial lenders (the “2014 Credit Facility”) in the amount of \$160,000,000, which matures in February 2019. At September 30, 2015, the Company had \$68,500,000 outstanding under the 2014 Credit Facility and \$91,500,000 was available for borrowings. The 2014 Credit Facility bears interest, at the Company’s option, at either (i) the prevailing London Interbank Offered Rate (“LIBOR”) (with interest periods of 1, 2, 3 or 6 months at the Company’s option) plus a fixed spread of 2.5% or (ii) the prevailing prime or base rate plus a fixed spread of 1.5%. The interest rate on amounts outstanding under the 2014 Credit Facility at September 30, 2015 was 2.75% based on the prevailing 30-day LIBOR rate. The 2014 Credit Facility requires the Company to maintain certain financial ratios and comply with certain financial covenants and allows the Company to make certain restricted payments, such as repurchasing shares of its stock and paying cash dividends, within certain parameters, provided the Company maintains compliance with those financial ratios and covenants after giving effect to such restricted payments. The Company was in compliance with the requirements and covenants of the 2014 Credit Facility as of September 30, 2015. During the nine months ended September 30, 2015,

the Company had net proceeds of \$46,100,000 from borrowings pursuant to the 2014 Credit Facility.

On March 9, 2015, the Company entered into an agreement with a bank in Mexico to establish a revolving credit facility (the "Mexico Credit Facility") in the amount of \$10,000,000. The Mexico Credit Facility bears interest at the prevailing 30-day LIBOR rate plus a fixed spread of 2.0% and matures in December 2017. Under the terms of the Mexico Credit Facility, the Company is required to maintain certain financial ratios and comply with certain financial covenants. The Company was in compliance with the requirements and covenants of the Mexico Credit Facility as of September 30, 2015. The Company is required to pay a one-time commitment fee of \$25,000 due when the first amount is drawn/borrowed. At September 30, 2015, the Company had no amount outstanding under the Mexico Credit Facility and \$10,000,000 was available for borrowings.

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## Note 5 - Fair Value of Financial Instruments

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

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

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

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

As cash and cash equivalents have maturities of less than three months, the carrying values of cash and cash equivalents approximate fair value (Level 1 of the fair value hierarchy). Due to their short-term maturities, pawn loans, consumer loans (net), pawn loan fees and service charges receivable approximate fair value (Level 3 of the fair value hierarchy).

The carrying value of the 2014 Credit Facility and the Mexico Credit Facility approximated fair value for all periods presented. The fair value of the Notes was approximately \$201,000,000, \$209,000,000 and \$207,000,000 as of September 30, 2015, 2014 and December 31, 2014, respectively, compared to a carrying value of \$200,000,000. These fair values have been estimated based on a discounted cash flow analysis using a discount rate representing the Company's estimate of the rate that would be used by market participants (Level 2 of the fair value hierarchy). Changes in assumptions or estimation methodologies may have a material effect on these estimated fair values.

## Note 6 - Goodwill

Changes in the carrying value of goodwill for the nine months ended September 30, 2015 were as follows:

|   |            |   |
|---|------------|---|
| Balance at December 31, 2014                        | \$ 276,882 |   |
| Acquisitions (Note 3)                               | 26,506     |   |
| Goodwill impairment - U.S. consumer loan operations | (7,913     | ) |
| Effect of foreign currency translation              | (4,621     | ) |
| Other adjustments                                   | 923        |   |
| Balance at September 30, 2015                       | \$ 291,777 |   |

The Company performs its goodwill impairment assessment annually as of December 31, and between annual assessments if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. The Company's reporting units, which are tested for impairment, are U.S. pawn operations, U.S. consumer loan operations and Mexico pawn and consumer loan operations. The Company assesses goodwill for impairment at a reporting unit level by initially assessing a range of qualitative factors, including, but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for the Company's products and services, regulatory and political developments, entity specific factors, such as strategy and changes in key personnel, and overall financial performance. If, after completing this assessment, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, the Company proceeds to the two-step impairment testing methodology.

The first step is a comparison of the reporting unit's fair value to its carrying value. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired and no further testing is required. If the fair value of the reporting unit is less than its carrying value, there is an indication that impairment may exist and the second step must

be performed to measure the amount of impairment loss. In the second step, the fair value of the reporting unit is allocated to all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that calculates the implied fair value of goodwill in the same manner as if the reporting unit was being acquired in a business combination. If the implied fair value of the reporting unit's goodwill is less than its carrying value, the difference is recorded as an impairment charge.

During the third quarter of 2015, the Company determined that sufficient indicators of potential impairment existed to require an interim goodwill impairment analysis for the U.S. consumer loan operations reporting unit. These indicators included, among others, the impacts of recently enacted and additional proposed local, state and federal regulatory restrictions affecting short-term and long-term profitability expectations for payday and title lending products, the Company's long-term ongoing strategy to reduce

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non-core consumer lending operations along with significant deterioration in payday lending market conditions. Due to the aforementioned indicators, the Company concluded that it was more likely than not that the fair value of the U.S. consumer loan operations reporting unit was less than the carrying value.

The Company estimated fair value of the U.S. consumer loan operations reporting unit by applying a multiple to the reporting units' forecast earnings before interest, taxes, depreciation and amortization, as this is a common valuation technique within the consumer loan industry (the inputs used in the fair value calculation are significant unobservable inputs, or Level 3 inputs, in the fair value hierarchy). The resulting estimated fair value of the reporting unit was less than its carrying value and after performing the second step in the goodwill impairment testing methodology, the Company determined there was no material implied goodwill.

As a result, a \$7,913,000 goodwill impairment charge was recorded in the third quarter of fiscal 2015, which is included as goodwill impairment - U.S. consumer loan operations in the accompanying condensed consolidated statements of operations. As of September 30, 2015, the Company has no remaining goodwill or other intangible assets associated with its U.S. consumer loan operations reporting unit.

Note 7 - Condensed Consolidating Guarantor Financial Statements

In connection with the issuance of the Notes, certain of the Company's domestic subsidiaries (collectively, "Guarantor Subsidiaries"), fully, unconditionally, jointly and severally guaranteed the payment obligations under the Notes. Each of the Guarantor Subsidiaries is 100% owned, directly or indirectly, by the Company. The following supplemental financial information sets forth, on a consolidating basis, the balance sheets, statements of comprehensive income (loss) and statements of cash flows of First Cash Financial Services, Inc. (the "Parent Company"), the Guarantor Subsidiaries and the Parent Company's other subsidiaries (the "Non-Guarantor Subsidiaries").

The supplemental condensed consolidating financial information has been prepared pursuant to SEC rules and regulations for interim condensed financial information and does not include the more complete disclosures included in annual financial statements. Investments in consolidated subsidiaries have been presented under the equity method of accounting. The principal eliminating entries eliminate investments in subsidiaries, intercompany balances and intercompany revenues and expenses. The condensed financial information may not necessarily be indicative of the results of operations or financial position had the Guarantor Subsidiaries or Non-Guarantor Subsidiaries operated as independent entities.

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## Condensed Consolidating Balance Sheet

September 30, 2015

(unaudited, in thousands)

|   | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Eliminations | Consolidated |
|---|-------------------|---------------------------|-------------------------------|-------------------------------|--------------|
| <b>ASSETS</b>                                 |                   |                           |                               |                               |              |
| Cash and cash equivalents                     | \$9,581           | \$2,628                   | \$60,314                      | \$—                           | \$72,523     |
| Pawn loan fees and service charges receivable | —                 | 6,435                     | 11,681                        | —                             | 18,116       |
| Pawn loans                                    | —                 | 55,029                    | 73,341                        | —                             | 128,370      |
| Consumer loans, net                           | —                 | 580                       | 534                           | —                             | 1,114        |
| Inventories                                   | —                 | 37,495                    | 60,693                        | —                             | 98,188       |
| Prepaid expenses and other current assets     | 4,420             | —                         | 1,785                         | (390)                         | ) 5,815      |
| Deferred tax assets                           | 1,069             | —                         | 5,563                         | —                             | 6,632        |
| Total current assets                          | 15,070            | 102,167                   | 213,911                       | (390)                         | ) 330,758    |
| Property and equipment, net                   | 3,490             | 51,318                    | 55,477                        | —                             | 110,285      |
| Goodwill                                      | —                 | 151,671                   | 140,106                       | —                             | 291,777      |
| Other non-current assets                      | 5,261             | 4,038                     | 4,998                         | —                             | 14,297       |
| Deferred tax assets                           | —                 | —                         | 29,187                        | (21,102)                      | ) 8,085      |
| Intercompany receivable                       | —                 | —                         | 176,223                       | (176,223)                     | ) —          |
| Investments in subsidiaries                   | 879,924           | —                         | —                             | (879,924)                     | ) —          |
| Total assets                                  | \$903,745         | \$309,194                 | \$619,902                     | \$(1,077,639)                 | ) \$755,202  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                   |                           |                               |                               |              |
| Accounts payable and accrued liabilities      | \$19,616          | \$7,272                   | \$19,241                      | \$—                           | \$46,129     |
| Income taxes payable                          | —                 | —                         | 1,233                         | (390)                         | ) 843        |
| Total current liabilities                     | 19,616            | 7,272                     | 20,474                        | (390)                         | ) 46,972     |
| Revolving unsecured credit facilities         | 68,500            | —                         | —                             | —                             | 68,500       |
| Senior unsecured notes                        | 200,000           | —                         | —                             | —                             | 200,000      |
| Deferred tax liabilities                      | 244               | 14,647                    | 6,211                         | (21,102)                      | ) —          |
| Intercompany payable                          | 176,223           | —                         | —                             | (176,223)                     | ) —          |
| Total liabilities                             | 464,583           | 21,919                    | 26,685                        | (197,715)                     | ) 315,472    |
| Stockholders' equity:                         |                   |                           |                               |                               |              |
| Preferred stock                               | —                 | —                         | —                             | —                             | —            |
| Common stock                                  | 399               | —                         | —                             | —                             | 399          |
| Additional paid-in capital                    | 192,787           | —                         | —                             | —                             | 192,787      |
| Retained earnings                             | 574,584           | 287,275                   | 642,259                       | (879,924)                     | ) 624,194    |
| Accumulated other comprehensive loss          | —                 | —                         | (49,042)                      | ) —                           | (49,042)     |
| Common stock held in treasury, at cost        | (328,608)         | ) —                       | —                             | —                             | (328,608)    |



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|  |            |            |            |               |              |
|--|------------|------------|------------|---------------|--------------|
| Total stockholders' equity                 | 439,162    | 287,275    | 593,217    | (879,924      | ) 439,730    |
| Total liabilities and stockholders' equity | \$ 903,745 | \$ 309,194 | \$ 619,902 | \$ (1,077,639 | ) \$ 755,202 |

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## Condensed Consolidating Balance Sheet

September 30, 2014

(unaudited, in thousands)

|   | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Eliminations | Consolidated |
|---|-------------------|---------------------------|-------------------------------|-------------------------------|--------------|
| <b>ASSETS</b>                                 |                   |                           |                               |                               |              |
| Cash and cash equivalents                     | \$ 17,380         | \$ 2,809                  | \$ 22,571                     | \$ —                          | \$ 42,760    |
| Pawn loan fees and service charges receivable | —                 | 7,480                     | 12,001                        | —                             | 19,481       |
| Pawn loans                                    | —                 | 57,116                    | 79,865                        | —                             | 136,981      |
| Consumer loans, net                           | —                 | 842                       | 668                           | —                             | 1,510        |
| Inventories                                   | —                 | 34,915                    | 59,975                        | —                             | 94,890       |
| Prepaid expenses and other current assets     | 3,708             | —                         | 2,584                         | —                             | 6,292        |
| Deferred tax assets                           | 906               | —                         | 5,393                         | —                             | 6,299        |
| Total current assets                          | 21,994            | 103,162                   | 183,057                       | —                             | 308,213      |
| Property and equipment, net                   | 4,050             | 50,094                    | 60,971                        | —                             | 115,115      |
| Goodwill                                      | —                 | 158,308                   | 106,567                       | —                             | 264,875      |
| Other non-current assets                      | 6,354             | 4,981                     | 5,129                         | —                             | 16,464       |
| Deferred tax assets                           | —                 | —                         | 10,106                        | (10,106)                      | ) —          |
| Intercompany receivable                       | —                 | —                         | 169,711                       | (169,711)                     | ) —          |
| Investments in subsidiaries                   | 804,310           | —                         | —                             | (804,310)                     | ) —          |
| Total assets                                  | \$ 836,708        | \$ 316,545                | \$ 535,541                    | \$ (984,127)                  | ) \$ 704,667 |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                   |                           |                               |                               |              |
| Accounts payable and accrued liabilities      | \$ 19,979         | \$ 6,684                  | \$ 23,515                     | \$ —                          | \$ 50,178    |
| Total current liabilities                     | 19,979            | 6,684                     | 23,515                        | —                             | 50,178       |
| Revolving unsecured credit facility           | 17,500            | —                         | —                             | —                             | 17,500       |
| Senior unsecured notes                        | 200,000           | —                         | —                             | —                             | 200,000      |
| Deferred tax liabilities                      | 64                | 14,761                    | 2,816                         | (10,106)                      | ) 7,535      |
| Intercompany payable                          | 169,711           | —                         | —                             | (169,711)                     | ) —          |
| Total liabilities                             | 407,254           | 21,445                    | 26,331                        | (179,817)                     | ) 275,213    |
| Stockholders' equity:                         |                   |                           |                               |                               |              |
| Preferred stock                               | —                 | —                         | —                             | —                             | —            |
| Common stock                                  | 395               | —                         | —                             | —                             | 395          |
| Additional paid-in capital                    | 182,119           | —                         | —                             | —                             | 182,119      |
| Retained earnings                             | 543,877           | 295,100                   | 521,286                       | (804,310)                     | ) 555,953    |
| Accumulated other comprehensive loss          | (303)             | ) —                       | (12,076)                      | ) —                           | (12,379)     |
| Common stock held in treasury, at cost        | (296,634)         | ) —                       | —                             | —                             | (296,634)    |
| Total stockholders' equity                    | 429,454           | 295,100                   | 509,210                       | (804,310)                     | ) 429,454    |
|   | \$ 836,708        | \$ 316,545                | \$ 535,541                    | \$ (984,127)                  | ) \$ 704,667 |

Total liabilities and stockholders'  
equity

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## Condensed Consolidating Balance Sheet

December 31, 2014

(unaudited, in thousands)

|   | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Eliminations | Consolidated |
|---|-------------------|---------------------------|-------------------------------|-------------------------------|--------------|
| <b>ASSETS</b>                                 |                   |                           |                               |                               |              |
| Cash and cash equivalents                     | \$ 7,799          | \$ 2,906                  | \$ 57,287                     | \$ —                          | \$ 67,992    |
| Pawn loan fees and service charges receivable | —                 | 7,120                     | 9,806                         | —                             | 16,926       |
| Pawn loans                                    | —                 | 55,709                    | 62,827                        | —                             | 118,536      |
| Consumer loans, net                           | —                 | 655                       | 586                           | —                             | 1,241        |
| Inventories                                   | —                 | 35,206                    | 55,882                        | —                             | 91,088       |
| Prepaid expenses and other current assets     | 1,881             | —                         | 3,089                         | —                             | 4,970        |
| Deferred tax assets                           | 1,069             | —                         | 6,053                         | —                             | 7,122        |
| Total current assets                          | 10,749            | 101,596                   | 195,530                       | —                             | 307,875      |
| Property and equipment, net                   | 3,997             | 50,184                    | 59,569                        | —                             | 113,750      |
| Goodwill                                      | —                 | 158,308                   | 118,574                       | —                             | 276,882      |
| Other non-current assets                      | 5,967             | 4,744                     | 5,457                         | —                             | 16,168       |
| Deferred tax assets                           | —                 | —                         | 17,127                        | (17,127)                      | —            |
| Intercompany receivable                       | —                 | —                         | 170,132                       | (170,132)                     | —            |
| Investments in subsidiaries                   | 837,486           | —                         | —                             | (837,486)                     | —            |
| Total assets                                  | \$ 858,199        | \$ 314,832                | \$ 566,389                    | \$ (1,024,745)                | \$ 714,675   |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                   |                           |                               |                               |              |
| Accounts payable and accrued liabilities      | \$ 16,940         | \$ 6,459                  | \$ 19,160                     | \$ —                          | \$ 42,559    |
| Total current liabilities                     | 16,940            | 6,459                     | 19,160                        | —                             | 42,559       |
| Revolving unsecured credit facility           | 22,400            | —                         | —                             | —                             | 22,400       |
| Senior unsecured notes                        | 200,000           | —                         | —                             | —                             | 200,000      |
| Deferred tax liabilities                      | 176               | 14,069                    | 4,047                         | (17,127)                      | 1,165        |
| Intercompany payable                          | 170,132           | —                         | —                             | (170,132)                     | —            |
| Total liabilities                             | 409,648           | 20,528                    | 23,207                        | (187,259)                     | 266,124      |
| Stockholders' equity:                         |                   |                           |                               |                               |              |
| Preferred stock                               | —                 | —                         | —                             | —                             | —            |
| Common stock                                  | 397               | —                         | —                             | —                             | 397          |
| Additional paid-in capital                    | 188,062           | —                         | —                             | —                             | 188,062      |
| Retained earnings                             | 556,726           | 294,304                   | 569,350                       | (837,486)                     | 582,894      |
| Accumulated other comprehensive loss          | —                 | —                         | (26,168)                      | —                             | (26,168)     |
| Common stock held in treasury, at cost        | (296,634)         | —                         | —                             | —                             | (296,634)    |
| Total stockholders' equity                    | 448,551           | 294,304                   | 543,182                       | (837,486)                     | 448,551      |
|   | \$ 858,199        | \$ 314,832                | \$ 566,389                    | \$ (1,024,745)                | \$ 714,675   |

Total liabilities and stockholders'  
equity

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Condensed Consolidating Statement of Comprehensive Income (Loss)  
 Three Months Ended September 30, 2015  
 (unaudited, in thousands)

|  | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Eliminations | Consolidated |   |
|--|-------------------|---------------------------|-------------------------------|-------------------------------|--------------|---|
| <b>Revenue:</b>  |                   |                           |                               |                               |              |   |
| Retail merchandise sales                                       | \$—               | \$ 32,454                 | \$ 72,483                     | \$—                           | \$ 104,937   |   |
| Pawn loan fees   | —                 | 18,765                    | 31,117                        | —                             | 49,882       |   |
| Consumer loan and credit services fees                         | —                 | 6,374                     | 621                           | —                             | 6,995        |   |
| Wholesale scrap jewelry revenue                                | —                 | 4,044                     | 3,674                         | —                             | 7,718        |   |
| Total revenue  | —                 | 61,637                    | 107,895                       | —                             | 169,532      |   |
| <b>Cost of revenue:</b>  |                   |                           |                               |                               |              |   |
| Cost of retail merchandise sold                                | —                 | 18,698                    | 46,177                        | —                             | 64,875       |   |
| Consumer loan and credit services loss provision               | —                 | 2,240                     | 128                           | —                             | 2,368        |   |
| Cost of wholesale scrap jewelry sold                           | —                 | 3,783                     | 3,064                         | —                             | 6,847        |   |
| Total cost of revenue  | —                 | 24,721                    | 49,369                        | —                             | 74,090       |   |
| Net revenue  | —                 | 36,916                    | 58,526                        | —                             | 95,442       |   |
| <b>Expenses and other income:</b>                              |                   |                           |                               |                               |              |   |
| Store operating expenses                                       | —                 | 20,064                    | 30,931                        | —                             | 50,995       |   |
| Administrative expenses  | 5,318             | —                         | 6,415                         | —                             | 11,733       |   |
| Depreciation and amortization                                  | 176               | 1,748                     | 2,713                         | —                             | 4,637        |   |
| Goodwill impairment - U.S. consumer loan operations            | —                 | 7,913                     | —                             | —                             | 7,913        |   |
| Interest expense   | 4,336             | —                         | —                             | —                             | 4,336        |   |
| Interest income  | (1                | ) —                       | (405                          | ) —                           | (406         | ) |
| Total expenses and other income                                | 9,829             | 29,725                    | 39,654                        | —                             | 79,208       |   |
| Income (loss) before income taxes                              | (9,829            | ) 7,191                   | 18,872                        | —                             | 16,234       |   |
| Provision for income taxes                                     | (3,288            | ) 2,660                   | 5,689                         | —                             | 5,061        |   |
| Net income (loss)  | \$(6,541          | ) \$4,531                 | \$ 13,183                     | \$—                           | \$ 11,173    |   |
| <b>Other comprehensive income (loss):</b>                      |                   |                           |                               |                               |              |   |
| Currency translation adjustment, net of tax expense or benefit | —                 | —                         | (13,998                       | ) —                           | (13,998      | ) |
| Comprehensive income (loss)                                    | \$(6,541          | ) \$4,531                 | \$ (815                       | ) \$—                         | \$(2,825     | ) |



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Condensed Consolidating Statement of Comprehensive Income (Loss)  
 Three Months Ended September 30, 2014  
 (unaudited, in thousands)

|  | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Eliminations | Consolidated |
|--|-------------------|---------------------------|-------------------------------|-------------------------------|--------------|
| <b>Revenue:</b>  |                   |                           |                               |                               |              |
| Retail merchandise sales                                       | \$—               | \$ 30,698                 | \$ 71,252                     | \$—                           | \$ 101,950   |
| Pawn loan fees   | —                 | 18,837                    | 32,941                        | —                             | 51,778       |
| Consumer loan and credit services fees                         | —                 | 8,636                     | 838                           | —                             | 9,474        |
| Wholesale scrap jewelry revenue                                | —                 | 5,988                     | 5,810                         | —                             | 11,798       |
| Total revenue  | —                 | 64,159                    | 110,841                       | —                             | 175,000      |
| <b>Cost of revenue:</b>  |                   |                           |                               |                               |              |
| Cost of retail merchandise sold                                | —                 | 17,264                    | 45,516                        | —                             | 62,780       |
| Consumer loan and credit services loss provision               | —                 | 2,756                     | 157                           | —                             | 2,913        |
| Cost of wholesale scrap jewelry sold                           | —                 | 5,381                     | 5,063                         | —                             | 10,444       |
| Total cost of revenue  | —                 | 25,401                    | 50,736                        | —                             | 76,137       |
| Net revenue  | —                 | 38,758                    | 60,105                        | —                             | 98,863       |
| <b>Expenses and other income:</b>                              |                   |                           |                               |                               |              |
| Store operating expenses                                       | —                 | 18,767                    | 30,526                        | —                             | 49,293       |
| Administrative expenses  | 5,598             | —                         | 7,808                         | —                             | 13,406       |
| Depreciation and amortization                                  | 218               | 1,488                     | 2,698                         | —                             | 4,404        |
| Interest expense   | 4,059             | —                         | —                             | —                             | 4,059        |
| Interest income  | —                 | —                         | (179                          | ) —                           | (179 )       |
| Total expenses and other income                                | 9,875             | 20,255                    | 40,853                        | —                             | 70,983       |
| Income (loss) before income taxes                              | (9,875 )          | 18,503                    | 19,252                        | —                             | 27,880       |
| Provision for income taxes                                     | (5,021 )          | 6,477                     | 6,896                         | —                             | 8,352        |
| Net income (loss)  | \$(4,854 )        | \$ 12,026                 | \$ 12,356                     | \$—                           | \$ 19,528    |
| <b>Other comprehensive income (loss):</b>                      |                   |                           |                               |                               |              |
| Currency translation adjustment, net of tax expense or benefit | —                 | —                         | (4,940                        | ) —                           | (4,940 )     |
| Comprehensive income (loss)                                    | \$(4,854 )        | \$ 12,026                 | \$ 7,416                      | \$—                           | \$ 14,588    |



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## Condensed Consolidating Statement of Comprehensive Income (Loss)

Nine Months Ended September 30, 2015

(unaudited, in thousands)

|   | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Eliminations | Consolidated |   |
|---|-------------------|---------------------------|-------------------------------|-------------------------------|--------------|---|
| Revenue:  |                   |                           |                               |                               |              |   |
| Retail merchandise sales  | \$—               | \$ 102,233                | \$ 218,783                    | \$—                           | \$ 321,016   |   |
| Pawn loan fees  | —                 | 55,874                    | 90,245                        | —                             | 146,119      |   |
| Consumer loan and credit services<br>fees                         | —                 | 19,358                    | 1,942                         | —                             | 21,300       |   |
| Wholesale scrap jewelry<br>revenue                                | —                 | 12,683                    | 12,060                        | —                             | 24,743       |   |
| Total revenue   | —                 | 190,148                   | 323,030                       | —                             | 513,178      |   |
| Cost of revenue:  |                   |                           |                               |                               |              |   |
| Cost of retail merchandise sold                                   | —                 | 58,579                    | 140,178                       | —                             | 198,757      |   |
| Consumer loan and credit services<br>loss provision               | —                 | 4,777                     | 297                           | —                             | 5,074        |   |
| Cost of wholesale scrap jewelry<br>sold                           | —                 | 11,461                    | 9,627                         | —                             | 21,088       |   |
| Total cost of revenue   | —                 | 74,817                    | 150,102                       | —                             | 224,919      |   |
| Net revenue   | —                 | 115,331                   | 172,928                       | —                             | 288,259      |   |
| Expenses and other income:  |                   |                           |                               |                               |              |   |
| Store operating expenses  | —                 | 60,381                    | 94,681                        | —                             | 155,062      |   |
| Administrative expenses   | 19,190            | —                         | 21,050                        | —                             | 40,240       |   |
| Depreciation and amortization                                     | 581               | 4,831                     | 8,239                         | —                             | 13,651       |   |
| Goodwill impairment - U.S.<br>consumer loan operations            | —                 | 7,913                     | —                             | —                             | 7,913        |   |
| Interest expense  | 12,482            | —                         | —                             | —                             | 12,482       |   |
| Interest income   | (4                | ) —                       | (1,139                        | ) —                           | (1,143       | ) |
| Total expenses and other income                                   | 32,249            | 73,125                    | 122,831                       | —                             | 228,205      |   |
| Income (loss) before income taxes                                 | (32,249           | ) 42,206                  | 50,097                        | —                             | 60,054       |   |
| Provision for income taxes  | (11,147           | ) 15,616                  | 14,285                        | —                             | 18,754       |   |
| Net income (loss)   | \$(21,102         | ) \$ 26,590               | \$ 35,812                     | \$—                           | \$ 41,300    |   |
| Other comprehensive income<br>(loss):                             |                   |                           |                               |                               |              |   |
| Currency translation adjustment,<br>net of tax expense or benefit | —                 | —                         | (22,874                       | ) —                           | (22,874      | ) |
| Comprehensive income (loss)                                       | \$(21,102         | ) \$ 26,590               | \$ 12,938                     | \$—                           | \$ 18,426    |   |

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Condensed Consolidating Statement of Comprehensive Income (Loss)  
 Nine Months Ended September 30, 2014  
 (unaudited, in thousands)

|   | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Eliminations | Consolidated |   |
|---|-------------------|---------------------------|-------------------------------|-------------------------------|--------------|---|
| <b>Revenue:</b>   |                   |                           |                               |                               |              |   |
| Retail merchandise sales  | \$—               | \$99,314                  | \$198,532                     | \$—                           | \$297,846    |   |
| Pawn loan fees  | —                 | 55,980                    | 90,991                        | —                             | 146,971      |   |
| Consumer loan and credit services<br>fees                         | —                 | 25,164                    | 2,510                         | —                             | 27,674       |   |
| Wholesale scrap jewelry<br>revenue                                | —                 | 19,526                    | 18,086                        | —                             | 37,612       |   |
| Total revenue   | —                 | 199,984                   | 310,119                       | —                             | 510,103      |   |
| <b>Cost of revenue:</b>   |                   |                           |                               |                               |              |   |
| Cost of retail merchandise sold                                   | —                 | 55,664                    | 126,699                       | —                             | 182,363      |   |
| Consumer loan and credit services<br>loss provision               | —                 | 6,373                     | 519                           | —                             | 6,892        |   |
| Cost of wholesale scrap jewelry<br>sold                           | —                 | 16,553                    | 15,055                        | —                             | 31,608       |   |
| Total cost of revenue   | —                 | 78,590                    | 142,273                       | —                             | 220,863      |   |
| Net revenue   | —                 | 121,394                   | 167,846                       | —                             | 289,240      |   |
| <b>Expenses and other income:</b>                                 |                   |                           |                               |                               |              |   |
| Store operating expenses  | —                 | 60,036                    | 86,683                        | —                             | 146,719      |   |
| Administrative expenses   | 18,422            | —                         | 21,928                        | —                             | 40,350       |   |
| Depreciation and amortization                                     | 781               | 4,277                     | 7,943                         | —                             | 13,001       |   |
| Interest expense  | 9,405             | —                         | —                             | —                             | 9,405        |   |
| Interest income   | (23               | ) —                       | (499                          | ) —                           | (522         | ) |
| Total expenses and other income                                   | 28,585            | 64,313                    | 116,055                       | —                             | 208,953      |   |
| Income (loss) from continuing<br>operations before income taxes   | (28,585           | ) 57,081                  | 51,791                        | —                             | 80,287       |   |
| Provision for income taxes  | (12,801           | ) 19,979                  | 14,612                        | —                             | 21,790       |   |
| Income (loss) from continuing<br>operations                       | (15,784           | ) 37,102                  | 37,179                        | —                             | 58,497       |   |
| Loss from discontinued operations,<br>net of tax                  | —                 | —                         | (272                          | ) —                           | (272         | ) |
| Net income (loss)   | \$(15,784         | ) \$37,102                | \$36,907                      | \$—                           | \$58,225     |   |
| <b>Other comprehensive income<br/>(loss):</b>                     |                   |                           |                               |                               |              |   |
| Currency translation adjustment,<br>net of tax expense or benefit | —                 | —                         | (4,628                        | ) —                           | (4,628       | ) |
| Comprehensive income (loss)                                       | \$(15,784         | ) \$37,102                | \$32,279                      | \$—                           | \$53,597     |   |



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Condensed Consolidating Statement of Cash Flows  
 Nine Months Ended September 30, 2015  
 (unaudited, in thousands)

|   | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Eliminations | Consolidated |   |
|---|-------------------|---------------------------|-------------------------------|-------------------------------|--------------|---|
| Cash flow from operating activities:                      |                   |                           |                               |                               |              |   |
| Net cash flow provided by (used in) operating activities  | \$ (22,879        | ) \$ 7,381                | \$ 80,620                     | \$ —                          | \$ 65,122    |   |
| Cash flow from investing activities:                      |                   |                           |                               |                               |              |   |
| Loan receivables, net of cash repayments                  | —                 | (550                      | ) (21,749                     | ) —                           | (22,299      | ) |
| Purchases of property and equipment                       | (74               | ) (5,175                  | ) (10,279                     | ) —                           | (15,528      | ) |
| Acquisitions of pawn stores, net of cash acquired         | —                 | (1,934                    | ) (31,081                     | ) —                           | (33,015      | ) |
| Investing activity with subsidiaries                      | 6,091             | —                         | (6,091                        | ) —                           | —            |   |
| Net cash flow provided by (used in) investing activities  | 6,017             | (7,659                    | ) (69,200                     | ) —                           | (70,842      | ) |
| Cash flow from financing activities:                      |                   |                           |                               |                               |              |   |
| Borrowings from revolving credit facilities               | 82,055            | —                         | —                             | —                             | 82,055       |   |
| Repayments of revolving credit facilities                 | (35,955           | ) —                       | —                             | —                             | (35,955      | ) |
| Purchases of treasury stock                               | (31,974           | ) —                       | —                             | —                             | (31,974      | ) |
| Proceeds from exercise of share-based compensation awards | 2,901             | —                         | —                             | —                             | 2,901        |   |
| Income tax benefit from exercise of stock options         | 1,617             | —                         | —                             | —                             | 1,617        |   |
| Net cash flow provided by financing activities            | 18,644            | —                         | —                             | —                             | 18,644       |   |
| Effect of exchange rates on cash                          | —                 | —                         | (8,393                        | ) —                           | (8,393       | ) |
| Change in cash and cash equivalents                       | 1,782             | (278                      | ) 3,027                       | —                             | 4,531        |   |
| Cash and cash equivalents at beginning of the period      | 7,799             | 2,906                     | 57,287                        | —                             | 67,992       |   |
| Cash and cash equivalents at end of the period            | \$ 9,581          | \$ 2,628                  | \$ 60,314                     | \$ —                          | \$ 72,523    |   |

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Condensed Consolidating Statement of Cash Flows  
 Nine Months Ended September 30, 2014  
 (unaudited, in thousands)

|   | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Eliminations | Consolidated |
|---|-------------------|---------------------------|-------------------------------|-------------------------------|--------------|
| Cash flow from operating activities:                      |                   |                           |                               |                               |              |
| Net cash flow provided by (used in) operating activities  | \$ (210           | ) \$ 18,655               | \$ 50,883                     | \$ —                          | \$ 69,328    |
| Cash flow from investing activities:                      |                   |                           |                               |                               |              |
| Loan receivables, net of cash repayments                  | —                 | 2,237                     | (26,561                       | ) —                           | (24,324 )    |
| Purchases of property and equipment                       | (676              | ) (5,931                  | ) (11,194                     | ) —                           | (17,801 )    |
| Acquisitions of pawn stores, net of cash acquired         | —                 | (16,392                   | ) (18,481                     | ) —                           | (34,873 )    |
| Investing activity with subsidiaries                      | 12,917            | —                         | (12,917                       | ) —                           | —            |
| Net cash flow provided by (used in) investing activities  | 12,241            | (20,086                   | ) (69,153                     | ) —                           | (76,998 )    |
| Cash flow from financing activities:                      |                   |                           |                               |                               |              |
| Borrowings from revolving credit facilities               | 25,500            | —                         | —                             | —                             | 25,500       |
| Repayments of revolving credit facilities                 | (190,000          | ) —                       | —                             | —                             | (190,000 )   |
| Repayments of notes payable                               | (8,352            | ) —                       | —                             | —                             | (8,352 )     |
| Issuance of senior notes                                  | 200,000           | —                         | —                             | —                             | 200,000      |
| Debt issuance costs paid                                  | (6,601            | ) —                       | —                             | —                             | (6,601 )     |
| Purchases of treasury stock                               | (43,947           | ) —                       | —                             | —                             | (43,947 )    |
| Proceeds from exercise of share-based compensation awards | 2,262             | —                         | —                             | —                             | 2,262        |
| Income tax benefit from exercise of stock options         | 1,813             | —                         | —                             | —                             | 1,813        |
| Net cash flow used in financing activities                | (19,325           | ) —                       | —                             | —                             | (19,325 )    |
| Effect of exchange rates on cash                          | —                 | —                         | (888                          | ) —                           | (888 )       |
| Change in cash and cash equivalents                       | (7,294            | ) (1,431                  | ) (19,158                     | ) —                           | (27,883 )    |
| Cash and cash equivalents at beginning of the period      | 24,674            | 4,240                     | 41,729                        | —                             | 70,643       |
| Cash and cash equivalents at end of the period            | \$ 17,380         | \$ 2,809                  | \$ 22,571                     | \$ —                          | \$ 42,760    |

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of financial condition, results of operations, liquidity and capital resources of First Cash Financial Services, Inc. and its wholly-owned subsidiaries (the "Company") should be read in conjunction with the Company's condensed consolidated financial statements and accompanying notes included under Part I, Item 1 of this quarterly report on Form 10-Q, as well as with Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's annual report on Form 10-K for the year ended December 31, 2014. References in this quarterly report on Form 10-Q to "year-to-date" refer to the nine-month period from January 1, 2015 to September 30, 2015.

GENERAL

The Company is a leading operator of retail-based pawn stores in the United States and Mexico. The Company's pawn stores generate significant retail sales primarily from the merchandise acquired through collateral forfeitures and over-the-counter purchases from customers. The Company's pawn stores are also a convenient source for small consumer loans to help customers meet their short-term cash needs. Personal property such as consumer electronics, jewelry, power tools, household appliances, sporting goods and musical instruments are pledged as collateral for the loans. In addition, some of the Company's pawn stores offer consumer loans or credit services products. The Company's strategy is to focus on growing its retail-based pawn operations in the United States and Mexico through new store openings and strategic acquisition opportunities as they arise. Pawn operations accounted for approximately 96% of the Company's consolidated revenue during the nine months ended September 30, 2015 compared to 95% during the nine months ended September 30, 2014.

The Company accrues pawn loan fee revenue on a constant-yield basis over the life of the pawn loan for all pawn loans that the Company deems collection to be probable based on historical redemption statistics. If a pawn loan is not repaid prior to the expiration of the loan term, including any automatic extension period, if applicable, the property is forfeited to the Company and transferred to inventory at a value equal to the principal amount of the loan, exclusive of accrued interest. The Company records merchandise sales revenue at the time of the sale. The Company presents merchandise sales net of any sales or value-added taxes collected. The Company does not provide financing to customers for the purchase of its merchandise, but does permit its customers to purchase merchandise on an interest-free layaway plan. Should the customer fail to make a required payment pursuant to a layaway plan, the previous payments are typically forfeited to the Company. Interim payments from customers on layaway sales are recorded as deferred revenue and subsequently recorded as income during the period in which final payment is received or when previous payments are forfeited to the Company. Some jewelry is melted at a third-party facility and the precious metal content is sold at either prevailing market commodity prices or a previously agreed upon price with a commodity buyer. The Company records revenue from these transactions when a price has been agreed upon and the Company ships the jewelry to the buyer.

The Company operates a small number of stand-alone consumer finance stores in Texas and Mexico. These stores provide consumer financial services products including credit services, consumer loans and check cashing. Certain of the Company's pawn stores also offer credit services and/or consumer loans as an ancillary product. Consumer loan and credit services revenue accounted for approximately 4% of consolidated revenue during the nine months ended September 30, 2015 compared to 5% during the nine months ended September 30, 2014, and was derived primarily from credit services fees.

The Company recognizes service fee income on consumer loans and credit services transactions on a constant-yield basis over the life of the loan or credit extension, which is generally 180 days or less. The net defaults on consumer loans and credit services transactions and changes in the valuation reserve are charged to the consumer loan credit loss

provision. The credit loss provision associated with the Company's credit services organization program ("CSO Program") and consumer loans are based primarily upon historical credit loss experience, with consideration given to recent credit loss trends, delinquency rates, economic conditions and management's expectations of future credit losses. For an additional discussion of the credit loss provision and related allowances and accruals, see "—Results of Continuing Operations."

Stores included in the same-store calculations presented in this quarterly report are those stores that were opened prior to the beginning of the prior-year comparative period and remained open through the end of the measurement period. Also included are stores that were relocated during the applicable period within a specified distance serving the same market where there is not a significant change in store size and where there is not a significant overlap or gap in timing between the opening of the new store and the closing of the existing store.

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Operating expenses consist of all items directly related to the operation of the Company's stores, including salaries and related payroll costs, rent, utilities, facilities maintenance, advertising, property taxes, licenses, supplies and security. Administrative expenses consist of items relating to the operation of the corporate offices, including the compensation and benefit costs of corporate management, area supervisors and other operations management personnel, collections operations and personnel, accounting and administrative costs, information technology costs, liability and casualty insurance, outside legal and accounting fees and stockholder-related expenses.

The Company's business is subject to seasonal variations. Therefore, operating results for the current quarter and year-to-date periods are not necessarily indicative of the results of operations for the full year. Typically, the Company experiences seasonal growth of service fees in the third and fourth quarter of each year due to loan balance growth. Service fees generally decline in the first and second quarter of each year after the heavy repayment period of pawn loans associated with statutory bonuses received by customers in the fourth quarter in Mexico and with tax refund proceeds received by customers in the first quarter in the U.S. Retail sales are seasonally higher in the fourth quarter associated with holiday shopping.

## OPERATIONS AND LOCATIONS

As of September 30, 2015, the Company had 1,045 store locations in 14 U.S. states and 29 states in Mexico, which represents a net store-count increase of 6% over the number of stores at September 30, 2014.

The following table details store count activity for the three months ended September 30, 2015:

|                                      | Pawn Locations |            | Consumer      | Total     |
|--------------------------------------|----------------|------------|---------------|-----------|
|                                      | Large          | Small      | Loan          | Total     |
|                                      | Format (1)     | Format (2) | Locations (3) | Locations |
| Domestic:                            |                |            |               |           |
| Total locations, beginning of period | 283            | 11         | 58            | 352       |
| Locations acquired                   | 1              | —          | —             | 1         |
| Locations closed or consolidated     | (1             | ) —        | (7            | ) (8      |
| Total locations, end of period       | 283            | 11         | 51            | 345       |
| International:                       |                |            |               |           |
| Total locations, beginning of period | 651            | 15         | 28            | 694       |
| New locations opened                 | 8              | —          | —             | 8         |
| Locations closed or consolidated     | (2             | ) —        | —             | (2        |
| Total locations, end of period       | 657            | 15         | 28            | 700       |
| Total:                               |                |            |               |           |
| Total locations, beginning of period | 934            | 26         | 86            | 1,046     |
| New locations opened                 | 8              | —          | —             | 8         |
| Locations acquired                   | 1              | —          | —             | 1         |
| Locations closed or consolidated     | (3             | ) —        | (7            | ) (10     |
| Total locations, end of period       | 940            | 26         | 79            | 1,045     |

The large format locations include retail showrooms and accept a broad array of pawn collateral including consumer electronics, appliances, power tools, jewelry and other general merchandise items. At September 30, (1) 2015, 129 of the U.S. large format pawn stores, which are primarily located in Texas, also offered consumer loans or credit services products.



(2) The small format locations typically have limited retail operations and primarily accept jewelry and small electronic items as pawn collateral and also offer consumer loans or credit services products.

The Company's U.S. freestanding, small format consumer loan locations offer a credit services product and are all (3) located in Texas. The Mexico locations offer small, short-term consumer loans. The Company's credit services operations also include an internet distribution channel for customers residing in the state of Texas.

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The following table details store count activity for the nine months ended September 30, 2015:

|                                      | Pawn Locations      |                     | Consumer              | Total<br>Locations |
|--------------------------------------|---------------------|---------------------|-----------------------|--------------------|
|                                      | Large<br>Format (1) | Small<br>Format (2) | Loan<br>Locations (3) |                    |
| Domestic:                            |                     |                     |                       |                    |
| Total locations, beginning of period | 255                 | 11                  | 65                    | 331                |
| Locations acquired                   | 30                  | —                   | —                     | 30                 |
| Locations closed or consolidated     | (2                  | ) —                 | (14                   | ) (16              |
| Total locations, end of period       | 283                 | 11                  | 51                    | 345                |
| International:                       |                     |                     |                       |                    |
| Total locations, beginning of period | 629                 | 17                  | 28                    | 674                |
| New locations opened                 | 32                  | —                   | —                     | 32                 |
| Locations closed or consolidated     | (4                  | ) (2                | ) —                   | (6                 |
| Total locations, end of period       | 657                 | 15                  | 28                    | 700                |
| Total:                               |                     |                     |                       |                    |
| Total locations, beginning of period | 884                 | 28                  | 93                    | 1,005              |
| New locations opened                 | 32                  | —                   | —                     | 32                 |
| Locations acquired                   | 30                  | —                   | —                     | 30                 |
| Locations closed or consolidated     | (6                  | ) (2                | ) (14                 | ) (22              |
| Total locations, end of period       | 940                 | 26                  | 79                    | 1,045              |

(1) The large format locations include retail showrooms and accept a broad array of pawn collateral including consumer electronics, appliances, power tools, jewelry and other general merchandise items. At September 30, 2015, 129 of the U.S. large format pawn stores, which are primarily located in Texas, also offered consumer loans or credit services products.

(2) The small format locations typically have limited retail operations and primarily accept jewelry and small electronic items as pawn collateral and also offer consumer loans or credit services products.

(3) The Company's U.S. freestanding, small format consumer loan locations offer a credit services product and are all located in Texas. The Mexico locations offer small, short-term consumer loans. The Company's credit services operations also include an internet distribution channel for customers residing in the state of Texas.

**CRITICAL ACCOUNTING POLICIES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, related revenue and expenses, and disclosure of gain and loss contingencies at the date of the financial statements. Such estimates, assumptions and judgments are subject to a number of risks and uncertainties, which may cause actual results to differ materially from the Company's estimates. The significant accounting policies that the Company believes are the most critical to aid in fully understanding and evaluating its reported financial results have been reported in the Company's 2014 annual report on Form 10-K. There have been no changes to the Company's significant accounting policies for the nine months ended September 30, 2015.

**Recent Accounting Pronouncements**

There were no recent accounting pronouncements that had a material effect on the Company's financial position, results of operations or financial statement disclosures.

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## RESULTS OF CONTINUING OPERATIONS

The following table details customer loans and inventories held by the Company and active CSO Program credit extensions from an independent third-party lender as of September 30, 2015 as compared to September 30, 2014 (unaudited, in thousands). Constant currency results exclude the effects of foreign currency translation and are calculated by translating current-year balances at the prior-year end-of-period exchange rate.

|   | Balance at September 30, |            | Increase/(Decrease) |      |    | Increase/(Decrease)<br>Constant Currency<br>Basis |    |
|---|--------------------------|------------|---------------------|------|----|---|----|
|   | 2015                     | 2014       |                     |      |    |   |    |
| Domestic:   |                          |            |                     |      |    |   |    |
| Pawn loans  | \$ 70,140                | \$ 67,014  | \$ 3,126            | 5    | %  | 5   | %  |
| CSO credit extensions held by independent third-party (1) | 7,222                    | 10,027     | (2,805)             | (28) | )% | (28)  | )% |
| Other consumer loans                                      | 673                      | 936        | (263)               | (28) | )% | (28)  | )% |
| Combined customer loans (2)                               | 78,035                   | 77,977     | 58                  | —    | %  | —   | %  |
| International:  |                          |            |                     |      |    |   |    |
| Pawn loans  | 58,230                   | 69,967     | (11,737)            | (17) | )% | 5   | %  |
| Other consumer loans                                      | 441                      | 574        | (133)               | (23) | )% | (3)   | )% |
| Combined customer loans                                   | 58,671                   | 70,541     | (11,870)            | (17) | )% | 5   | %  |
| Total:  |                          |            |                     |      |    |   |    |
| Pawn loans  | 128,370                  | 136,981    | (8,611)             | (6)  | )% | 5   | %  |
| CSO credit extensions held by independent third-party (1) | 7,222                    | 10,027     | (2,805)             | (28) | )% | (28)  | )% |
| Other consumer loans                                      | 1,114                    | 1,510      | (396)               | (26) | )% | (19)  | )% |
| Combined customer loans (2)                               | \$ 136,706               | \$ 148,518 | \$(11,812)          | (8)  | )% | 2   | %  |
| Pawn inventories:   |                          |            |                     |      |    |   |    |
| Domestic pawn inventories                                 | \$ 55,556                | \$ 42,431  | \$ 13,125           | 31   | %  | 31  | %  |
| International pawn inventories                            | 42,632                   | 52,459     | (9,827)             | (19) | )% | 3   | %  |
| Combined inventories                                      | \$ 98,188                | \$ 94,890  | \$ 3,298            | 3    | %  | 15  | %  |

(1) CSO Program amounts outstanding are composed of the principal portion of active CSO Program extensions of credit by an independent third-party lender, which are not included on the Company's balance sheet, net of the Company's estimated fair value of its liability under the letters of credit guaranteeing the extensions of credit.

(2) Combined customer loans is a non-GAAP measure, as it includes CSO credit extensions held by an independent third-party not included on the Company's balance sheet. The Company believes this non-GAAP measure provides investors with important information needed to evaluate the magnitude of potential loan losses and the opportunity for revenue performance of the consumer loan portfolio on an aggregate basis. The Company also believes the comparison of the aggregate amounts from period to period is more meaningful than comparing only the amounts reflected on the Company's balance sheet since both credit services fees revenue and the corresponding loss provision are impacted by the aggregate amount of loans owned by the Company and those guaranteed by the Company as reflected in its financial statements.

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The following tables detail the composition of pawn collateral and the average outstanding pawn loan receivable as of September 30, 2015 as compared to September 30, 2014.

|                                 | Balance at September 30, |       |   |
|---------------------------------|--------------------------|-------|---|
|                                 | 2015                     | 2014  |   |
| Composition of pawn collateral: |                          |       |   |
| Domestic pawn loans:            |                          |       |   |
| General merchandise             | 47                       | % 44  | % |
| Jewelry                         | 53                       | % 56  | % |
|                                 | 100                      | % 100 | % |
| International pawn loans:       |                          |       |   |
| General merchandise             | 89                       | % 88  | % |
| Jewelry                         | 11                       | % 12  | % |
|                                 | 100                      | % 100 | % |
| Total pawn loans:               |                          |       |   |
| General merchandise             | 66                       | % 66  | % |
| Jewelry                         | 34                       | % 34  | % |
|                                 | 100                      | % 100 | % |

|                                       | Balance at September 30, |        |              | Increase/(Decrease)     |  |
|---------------------------------------|--------------------------|--------|--------------|-------------------------|--|
|                                       | 2015                     | 2014   | Decrease     | Constant Currency Basis |  |
| Average outstanding pawn loan amount: |                          |        |              |                         |  |
| Domestic pawn loans                   | \$ 158                   | \$ 163 | \$(5 ) (3 )% | (3 )%                   |  |
| International pawn loans              | 60                       | 70     | (10 ) (14 )% | 7 %                     |  |
| Total pawn loans                      | 90                       | 98     | (8 ) (8 )%   | 3 %                     |  |

### Three Months Ended September 30, 2015 Compared To The Three Months Ended September 30, 2014

The following table details the components of the Company's revenue for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014 (unaudited, in thousands). Constant currency results exclude the effects of foreign currency translation and are calculated by translating current year results at prior year average exchange rates. The average value of the Mexican peso to the U.S. dollar decreased 25% from 13.1 to 1 during the third quarter of 2014 to 16.4 to 1 during the third quarter of 2015. The end-of-period value of the Mexican peso to the U.S. dollar decreased 26% from 13.5 to 1 at September 30, 2014 to 17.0 to 1 at September 30, 2015. As a result of these currency exchange movements, revenue from Mexican operations translated into fewer U.S. dollars relative to the prior-year period, and net assets of Mexican operations as of September 30, 2015 translated into fewer U.S. dollars relative to the prior period end. While the strength of the U.S. dollar compared to the Mexican peso decreased the translated dollar-value of revenue generated in Mexico, the cost of sales and operating expenses decreased as well. The scrap jewelry generated in Mexico is exported and sold in U.S. dollars, which does not contribute to the Company's peso-denominated revenue stream. If the average value of the Mexican peso during the third quarter of 2015 would have remained consistent with the average value during the third quarter of 2014, resulting third quarter 2015 revenues would have been \$21,218,000 higher and net income would have been approximately \$3,300,000 higher. See "—Non-GAAP Financial Information—Constant Currency Results" below. The Company's exposure to foreign currency exchange rates is described further in the Company's 2014 annual report on Form 10-K.



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|  | Three Months Ended    |            |                     | Increase/(Decrease) |   |                            |   |
|--|-----------------------|------------|---------------------|---------------------|---|----------------------------|---|
|  | September 30,<br>2015 | 2014       | Increase/(Decrease) |                     |   | Constant Currency<br>Basis |   |
| Domestic revenue:                      |                       |            |                     |                     |   |                            |   |
| Retail merchandise sales               | \$ 46,626             | \$ 39,298  | \$ 7,328            | 19                  | % | 19                         | % |
| Pawn loan fees                         | 24,250                | 22,515     | 1,735               | 8                   | % | 8                          | % |
| Consumer loan and credit services fees | 6,493                 | 8,792      | (2,299)             | (26)                | % | (26)                       | % |
| Wholesale scrap jewelry revenue        | 4,841                 | 7,007      | (2,166)             | (31)                | % | (31)                       | % |
|  | 82,210                | 77,612     | 4,598               | 6                   | % | 6                          | % |
| International revenue:                 |                       |            |                     |                     |   |                            |   |
| Retail merchandise sales               | 58,311                | 62,652     | (4,341)             | (7)                 | % | 16                         | % |
| Pawn loan fees                         | 25,632                | 29,263     | (3,631)             | (12)                | % | 10                         | % |
| Consumer loan and credit services fees | 502                   | 682        | (180)               | (26)                | % | (8)                        | % |
| Wholesale scrap jewelry revenue        | 2,877                 | 4,791      | (1,914)             | (40)                | % | (40)                       | % |
|  | 87,322                | 97,388     | (10,066)            | (10)                | % | 11                         | % |
| Total revenue:                         |                       |            |                     |                     |   |                            |   |
| Retail merchandise sales               | 104,937               | 101,950    | 2,987               | 3                   | % | 17                         | % |
| Pawn loan fees                         | 49,882                | 51,778     | (1,896)             | (4)                 | % | 9                          | % |
| Consumer loan and credit services fees | 6,995                 | 9,474      | (2,479)             | (26)                | % | (25)                       | % |
| Wholesale scrap jewelry revenue        | 7,718                 | 11,798     | (4,080)             | (35)                | % | (35)                       | % |
|  | \$ 169,532            | \$ 175,000 | \$ (5,468)          | (3)                 | % | 9                          | % |

Domestic revenue accounted for approximately 48% of the total revenue for the third quarter of 2015, while international revenue (from Mexico) accounted for 52% of total revenue.

## Retail Merchandise Sales Operations

Total retail merchandise sales increased 3% (17% on a constant currency basis) to \$104,937,000 during the third quarter of 2015 compared to \$101,950,000 for the third quarter of 2014. The increased retail merchandise sales in the Company's pawn stores reflected store additions, maturation of existing stores and an increase in retail inventories. During the third quarter of 2015, the gross profit margin on retail merchandise sales was 38% which was consistent with the gross profit margin on retail merchandise sales during the third quarter of 2014.

Pawn inventories increased from \$94,890,000 at September 30, 2014 to \$98,188,000 at September 30, 2015, largely as a result of the 8% increase in the weighted-average store count during the third quarter of 2015, which included certain acquired stores that carried significant levels of inventory, and the maturation of existing stores. At September 30, 2015, the Company's pawn inventories were composed of: 30% jewelry (primarily gold jewelry held for retail sale), 40% electronics and appliances, 9% tools, 9% sporting goods and 12% other. At September 30, 2014, the Company's pawn inventories were composed of: 28% jewelry (primarily gold jewelry held for retail sale), 46% electronics and appliances, 10% tools, 3% sporting goods and 13% other. At September 30, 2015, 95% of total inventories had been held for one year or less, while 5% had been held for more than one year. At September 30, 2014, 97% of total inventories had been held for one year or less, while 3% had been held for more than one year. The increase in aged inventory (inventory held for more than one year) is primarily a result of recent acquisition activity. Excluding stores acquired within the twelve months ended September 30, 2015, aged inventories represented 4% of total inventories at September 30, 2015.

## Pawn Lending Operations

Pawn loan fees decreased 4% (9% increase on a constant currency basis) totaling \$49,882,000 during the third quarter of 2015 compared to \$51,778,000 for the third quarter of 2014. Consolidated pawn receivables as of September 30, 2015 decreased 6% (5% increase on a constant currency basis) compared to September 30, 2014. The increase in

constant currency pawn fees and receivables was primarily due to store additions. Mexico same-store pawn receivables increased 4% on a constant currency basis while U.S. same-store pawn receivables declined 5% as of September 30, 2014 compared to September 30, 2015.



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### Consumer Lending Operations

Service fees from consumer loans and credit services transactions (collectively also known as payday loans) decreased 26% (25% on a constant currency basis) to \$6,995,000 during the third quarter of 2015 compared to \$9,474,000 for the third quarter of 2014. The Company attributes the decrease in part to increased competition and additional regulatory restrictions in many markets where the Company's payday lending operations are focused, as well as the Company's ongoing strategic downsizing of these operations with the closure of 14 stand-alone consumer finance stores in Texas during the first nine months of 2015. Consumer/payday loan-related products comprised 4% of total revenue for the third quarter of 2015 compared to 5% for the third quarter of 2014.

The Company's consumer loan and credit services credit loss provision of \$2,368,000 was 34% of consumer loan and credit services fee revenue during the third quarter of 2015 compared to \$2,913,000, or 31%, during the third quarter of 2014. The estimated fair value of liabilities under the CSO Program letters of credit, net of anticipated recoveries from customers, was \$517,000, or 6.7% of the gross loan balance, at September 30, 2015 compared to \$474,000, or 4.5% of the gross loan balance, at September 30, 2014, which is included as a component of the Company's accrued liabilities. The Company's loss reserve on consumer loans was \$66,000, or 5.6% of the gross loan balance, at September 30, 2015 compared to \$91,000, or 5.7% of the gross loan balance, at September 30, 2014.

### Wholesale Scrap Jewelry Operations

Revenue from wholesale scrap jewelry operations decreased 35% to \$7,718,000 during the third quarter of 2015 compared to \$11,798,000 for the third quarter of 2014. Wholesale scrap jewelry revenue during the three months ended September 30, 2015 consisted primarily of gold sales, of which approximately 6,000 ounces were sold at an average selling price of \$1,112 per ounce compared to approximately 8,400 ounces of gold sold at an average selling price of \$1,224 per ounce in the prior-year period. The scrap gross profit margin was 11% which equaled the prior-year margin. Scrap jewelry profits accounted for 1% of net revenue (gross profit) for the third quarter of 2015 and 2014. The Company's exposure to gold price risk is described further in the Company's 2014 annual report on Form 10-K.

### Combined Revenue Results

The decrease in quarter-over-quarter total revenue of 3% (9% increase on a constant currency basis) reflected a 1% increase (14% on a constant currency basis) in combined retail sales and pawn fee revenue from new and existing pawn stores, offset by a decrease in non-core wholesale scrap jewelry revenue and consumer loan fees. Revenue generated by the stores opened or acquired after July 1, 2014 increased by \$4,307,000 in Mexico and \$12,416,000 in the United States in the third quarter of 2015 compared to the third quarter of 2014.

Same-store core revenue from retail sales and pawn fees increased 4% on a consolidated, constant currency basis from the third quarter of 2014 to the third quarter of 2015. Same-store core revenue in Mexico increased 8% (constant currency basis), offset by a decrease in same-store core revenue of 4% in the U.S. as compared to the prior-year period.

### Store Operating Expenses

Store operating expenses increased by 3% (14% on a constant currency basis) to \$50,995,000 during the third quarter of 2015 compared to \$49,293,000 during the third quarter of 2014, primarily as a result of an 8% increase in the weighted-average store count, which included a number of large, mature stores added through acquisitions, offset by a 25% year-over-year decline in the average value of the Mexican peso. Same-store operating expenses increased less than 1% on a constant currency basis, compared to the prior-year period.

The net store profit contribution from continuing operations for the third quarter of 2015 was \$40,546,000, which equates to a store-level operating margin of 24% compared to \$45,855,000 and 26% in the prior-year quarter. The decline in the store-level operating margin related primarily to a 36% decrease (79% on a constant currency basis) in net revenue from wholesale scrap jewelry and a 29% decrease (28% on a constant currency basis) in net revenue from payday lending.

As a result of the seven consumer loan store closures during the third quarter of 2015 and the continued significant deterioration in payday lending market conditions, primarily due to increased regulatory pressure, the Company recognized non-recurring expenses related to the restructuring of the U.S. consumer loan operations of \$526,000 during the third quarter of 2015. The majority of these non-recurring expenses are included in store operating expenses in the accompanying condensed consolidated statements of income.

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Goodwill Impairment - U.S. Consumer Loan Operations

During the third quarter of 2015, the Company determined that sufficient indicators of potential impairment existed to require an interim goodwill impairment analysis for the U.S. consumer loan operations reporting unit. These indicators included, among others, the impacts of recently enacted and additional proposed local, state and federal regulatory restrictions affecting short-term and long-term profitability expectations for payday and title lending products, the Company's long-term ongoing strategy to reduce non-core consumer lending operations along with continued store closures and the significant deterioration in payday lending market conditions. As a result of the Company's interim goodwill impairment analysis, a \$7,913,000 goodwill impairment charge was recorded in the third quarter of 2015 leaving no remaining goodwill or other intangible assets associated with its U.S. consumer loan operations reporting unit.

Administrative Expenses, Interest, Taxes and Income

Administrative expenses decreased 12% to \$11,733,000 during the third quarter of 2015 compared to \$13,406,000 during the third quarter of 2014, primarily as a result of a 25% decline in the average value of the Mexican peso which reduced administrative expenses in Mexico, and reduced incentive compensation expense related to current year operating results. This decrease was partially offset by an 8% increase in the weighted-average store count resulting in additional management and supervisory compensation and other support expenses required for such growth. As a percentage of revenue, administrative expenses decreased from 8% during the third quarter of 2014 to 7% during the third quarter of 2015.

Interest expense increased to \$4,336,000 in the third quarter of 2015 compared to \$4,059,000 for the third quarter of 2014, reflecting an increase in the amount of outstanding debt. See "—Liquidity and Capital Resources."

For the third quarter of 2015 and 2014, the Company's effective federal income tax rates were 31.2% and 30.0%, respectively. The Company expects the effective tax rate for the remainder of 2015 to be approximately 31%, reflecting the blended statutory federal tax rates of 35% in the U.S. and 30% in Mexico.

Net income decreased 43% to \$11,173,000 during the third quarter of 2015 compared to \$19,528,000 during the third quarter of 2014. The decrease was primarily due to the non-cash goodwill impairment and other non-recurring charges related to the Company's U.S. consumer loan operations, the weaker value of the Mexican peso versus the U.S. dollar and the continued declines in non-core jewelry scrapping and non-core payday lending operations. These decreases were partially offset by the continued growth in core pawn operations and a reduction in incentive compensation expense. Comprehensive income decreased 119% to a loss of \$2,825,000 during the third quarter of 2015 compared to income of \$14,588,000 during the third quarter of 2014, as a result of the translation of the Company's peso-denominated net assets into U.S. dollars as of September 30, 2015. Total peso-denominated net assets related to the Company's Mexican operations were \$267,757,000 as of September 30, 2015.

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## Nine Months Ended September 30, 2015 Compared To The Nine Months Ended September 30, 2014

The following table details the components of the Company's revenue for the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014 (unaudited, in thousands). Constant currency results exclude the effects of foreign currency translation and are calculated by translating current year results at prior year average exchange rates. The average value of the Mexican peso to the U.S. dollar decreased 18% from 13.1 to 1 during the nine months ended September 30, 2014 to 15.5 to 1 during the nine months ended September 30, 2015. The end-of-period value of the Mexican peso to the U.S. dollar decreased 26% from 13.5 to 1 at September 30, 2014 to 17.0 to 1 at September 30, 2015. As a result of these currency exchange movements, revenue from Mexican operations translated into fewer U.S. dollars relative to the prior-year period, and net assets of Mexican operations as of September 30, 2015 translated into fewer U.S. dollars relative to the prior period end. While the strength of the U.S. dollar compared to the Mexican peso decreased the translated dollar-value of revenue generated in Mexico, the cost of sales and operating expenses decreased as well. The scrap jewelry generated in Mexico is exported and sold in U.S. dollars, which does not contribute to the Company's peso-denominated revenue stream. If the average value of the Mexican peso during the nine months ended September 30, 2015 would have remained consistent with the average value during the nine months ended September 30, 2014, resulting year-to-date 2015 revenues would have been \$47,359,000 higher and net income would have been approximately \$6,600,000 higher. See "—Non-GAAP Financial Information—Constant Currency Results" below. The Company's exposure to foreign currency exchange rates is described further in the Company's 2014 annual report on Form 10-K.

|  | Nine Months Ended |               | Increase/(Decrease) |      |    | Increase/(Decrease) |    |
|--|-------------------|---------------|---------------------|------|----|---------------------|----|
|  | September 30,     | September 30, |                     |      |    | Constant Currency   |    |
|  | 2015              | 2014          |                     |      |    | Basis               |    |
| Domestic revenue:                      |                   |               |                     |      |    |                     |    |
| Retail merchandise sales               | \$ 142,955        | \$ 122,750    | \$ 20,205           | 16   | %  | 16                  | %  |
| Pawn loan fees                         | 70,216            | 65,798        | 4,418               | 7    | %  | 7                   | %  |
| Consumer loan and credit services fees | 19,731            | 25,614        | (5,883)             | (23) | )% | (23)                | )% |
| Wholesale scrap jewelry revenue        | 14,989            | 22,415        | (7,426)             | (33) | )% | (33)                | )% |
|  | 247,891           | 236,577       | 11,314              | 5    | %  | 5                   | %  |
| International revenue:                 |                   |               |                     |      |    |                     |    |
| Retail merchandise sales               | 178,061           | 175,096       | 2,965               | 2    | %  | 21                  | %  |
| Pawn loan fees                         | 75,903            | 81,173        | (5,270)             | (6)  | )% | 11                  | %  |
| Consumer loan and credit services fees | 1,569             | 2,060         | (491)               | (24) | )% | (10)                | )% |
| Wholesale scrap jewelry revenue        | 9,754             | 15,197        | (5,443)             | (36) | )% | (36)                | )% |
|  | 265,287           | 273,526       | (8,239)             | (3)  | )% | 14                  | %  |
| Total revenue:                         |                   |               |                     |      |    |                     |    |
| Retail merchandise sales               | 321,016           | 297,846       | 23,170              | 8    | %  | 19                  | %  |
| Pawn loan fees                         | 146,119           | 146,971       | (852)               | (1)  | )% | 9                   | %  |
| Consumer loan and credit services fees | 21,300            | 27,674        | (6,374)             | (23) | )% | (22)                | )% |
| Wholesale scrap jewelry revenue        | 24,743            | 37,612        | (12,869)            | (34) | )% | (34)                | )% |
|  | \$ 513,178        | \$ 510,103    | \$ 3,075            | 1    | %  | 10                  | %  |

Domestic revenue accounted for approximately 48% of the total revenue for the nine months ended September 30, 2015, while international revenue (from Mexico) accounted for 52% of total revenue.

## Retail Merchandise Sales Operations

Total retail merchandise sales increased 8% (19% on a constant currency basis) to \$321,016,000 during the nine months ended September 30, 2015 compared to \$297,846,000 for the nine months ended September 30, 2014. The increased retail merchandise sales in the Company's pawn stores reflected store additions, maturation of existing stores

and an increase in retail inventories. During the nine months ended September 30, 2015, the gross profit margin on retail merchandise sales was 38% compared to a gross profit margin of 39% on retail merchandise sales during the nine months ended September 30, 2014.

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### Consumer Lending Operations

Service fees from consumer loans and credit services transactions (collectively also known as payday loans) decreased 23% (22% on constant currency basis) to \$21,300,000 during the nine months ended September 30, 2015 compared to \$27,674,000 for the nine months ended September 30, 2014. The Company attributes the decrease in part to increased competition and additional regulatory restrictions in many markets where the Company's payday lending operations are focused, as well as the Company's ongoing strategic downsizing of these operations with the closure of 14 stand-alone consumer finance stores in Texas during the first nine months of 2015. Consumer/payday loan-related products comprised 4% of total revenue during the nine months ended September 30, 2015 compared to 5% for the nine months ended September 30, 2014.

The Company's consumer loan and credit services credit loss provision of \$5,074,000 was 24% of consumer loan and credit services fee revenue during the nine months ended September 30, 2015 compared to \$6,892,000, or 25%, during the nine months ended September 30, 2014.

### Wholesale Scrap Jewelry Operations

Revenue from wholesale scrap jewelry operations decreased 34% to \$24,743,000 during the nine months ended September 30, 2015 compared to \$37,612,000 for the nine months ended September 30, 2014. Wholesale scrap jewelry revenue during the nine months ended September 30, 2015 consisted primarily of gold sales, of which approximately 18,200 ounces were sold at an average selling price of \$1,171 per ounce compared to approximately 25,400 ounces of gold sold at an average selling price of \$1,282 per ounce in the prior-year period. The scrap gross profit margin was 15% compared to the prior-period margin of 16%. Scrap jewelry profits accounted for 1% of net revenue (gross profit) for the nine months ended September 30, 2015 compared to 2% in the nine months ended September 30, 2014. The Company's exposure to gold price risk is described further in the Company's 2014 annual report on Form 10-K.

### Combined Revenue Results

The increase in year-to-date total revenue of 1% (10% on a constant currency basis) reflected a 5% increase (16% on a constant currency basis) in combined retail sales and pawn fee revenue from new and existing pawn stores, offset by a decrease in non-core wholesale scrap jewelry revenue and consumer loan fees. Revenue generated by the stores opened or acquired after January 1, 2014 increased by \$20,995,000 in Mexico and \$33,265,000 in the United States in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014.

Same-store core revenue from retail sales and pawn fees increased 3% on a consolidated, constant currency basis from the nine months ended September 30, 2014 to the nine months ended September 30, 2015. Same-store core revenue in Mexico increased 8% (constant currency basis), offset by a decrease in same-store core revenue of 3% in the U.S. as compared to the prior-year period.

### Store Operating Expenses

Store operating expenses increased by 6% (14% on a constant currency basis) to \$155,062,000 during the nine months ended September 30, 2015 compared to \$146,719,000 during the nine months ended September 30, 2014, primarily as a result of a 10% increase in the weighted-average store count which included a number of large, mature stores added through acquisitions, offset by an 18% year-over-year decline in the average value of the Mexican peso. Same-store operating expenses increased 1% on a constant currency basis, compared to the prior-year period.

The net store profit contribution from continuing operations for the nine months ended September 30, 2015 was \$121,766,000, which equates to a store-level operating margin of 24% compared to \$131,650,000 and 26% in the prior-year period. The decline in the store-level operating margin related primarily to a 39% decrease (63% on a constant currency basis) in net revenue from wholesale scrap jewelry and a 22% decrease (21% on a constant currency basis) in net revenue from payday lending.

As a result of the 14 consumer loan store closures during the first nine months of 2015 and the continued significant deterioration in payday lending market conditions, primarily due to increased regulatory pressure, the Company recognized non-recurring expenses related to the restructuring of the U.S. consumer loan operations of \$965,000 during the nine months ended September 30, 2015. The majority of these non-recurring expenses are included in store operating expenses in the accompanying condensed consolidated statements of income.

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Goodwill Impairment - U.S. Consumer Loan Operations

During the third quarter of 2015, the Company determined that sufficient indicators of potential impairment existed to require an interim goodwill impairment analysis for the U.S. consumer loan operations reporting unit. These indicators included, among others, the impacts of recently enacted and additional proposed local, state and federal regulatory restrictions affecting short-term and long-term profitability expectations for payday and title lending products, the Company's long-term ongoing strategy to reduce non-core consumer lending operations along with continued store closures and the significant deterioration in payday lending market conditions. As a result of the Company's interim goodwill impairment analysis, a \$7,913,000 goodwill impairment charge was recorded in the third quarter of 2015 leaving no remaining goodwill or other intangible assets associated with its U.S. consumer loan operations reporting unit.

Administrative Expenses, Interest, Taxes and Income

Administrative expenses decreased slightly to \$40,240,000 during the nine months ended September 30, 2015 compared to \$40,350,000 during the nine months ended September 30, 2014, primarily as a result of an 18% decline in the average value of the Mexican peso which reduced administrative expenses in Mexico, and reduced incentive compensation expense related to current year operating results. This decrease was partially offset by a 10% increase in the weighted-average store count resulting in additional management and supervisory compensation and other support expenses required for such growth. As a percentage of revenue, administrative expenses were 8% in both the nine months ended September 30, 2015 and 2014.

Interest expense increased to \$12,482,000 during the nine months ended September 30, 2015 compared to \$9,405,000 for the nine months ended September 30, 2014, primarily due to the issuance of the Company's 6.75% senior notes in March 2014 and, to a lesser extent, an increase in the amount outstanding on the Company's 2014 Credit Facility, as defined below. See "—Liquidity and Capital Resources."

For the nine months ended September 30, 2015 and 2014, the Company's effective federal income tax rates were 31.2% and 27.1%, respectively. The Company recognized an estimated non-recurring income tax benefit of \$3,669,000 in March 2014 as a result of a change in its estimated U.S. federal liability associated with the 2013 termination of its election to include foreign subsidiaries in its consolidated U.S. federal income tax return. Excluding the non-recurring benefit, the consolidated tax rate for the nine months ended September 30, 2014 was 31.7%.

Net income decreased 29% to \$41,300,000 during the nine months ended September 30, 2015 compared to \$58,225,000 during the nine months ended September 30, 2014. The decrease was primarily due to the non-cash goodwill impairment and other non-recurring charges related to the Company's U.S. consumer loan operations, the weaker value of the Mexican peso versus the U.S. dollar, the continued declines in non-core jewelry scrapping and non-core payday lending operations and an increase in interest expense primarily due to the issuance of the Company's 6.75% senior notes in March 2014. These decreases were partially offset by the continued growth in core pawn operations, a non-recurring tax benefit and a reduction in incentive compensation expense. Comprehensive income decreased 66% to \$18,426,000 during the nine months ended September 30, 2015 compared to \$53,597,000 during the nine months ended September 30, 2014, as a result of the translation of the Company's peso-denominated net assets into U.S. dollars as of September 30, 2015.



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LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2015, the Company's primary sources of liquidity were \$72,523,000 in cash and cash equivalents, \$101,500,000 of available and unused funds under the Company's long-term lines of credit with its commercial lenders, \$147,600,000 in customer loans and \$98,188,000 in inventories. As of September 30, 2015, the amount of cash associated with indefinitely reinvested foreign earnings was approximately \$59,424,000, which is primarily held in Mexican pesos. The Company had working capital of \$283,786,000 as of September 30, 2015 and total equity exceeded liabilities by a ratio of 1.4 to 1.

On March 24, 2014, the Company issued \$200,000,000 of 6.75% senior notes due on April 1, 2021 (the "Notes"). Interest on the Notes is payable semi-annually in arrears on April 1 and October 1. The Notes permit the Company to make certain restricted payments, such as repurchasing shares of its stock and paying cash dividends, within certain parameters, the most restrictive of which generally limits such restricted payments to 50% of adjusted net income.

At September 30, 2015, the Company maintained a line of credit with a group of U.S. based commercial lenders (the "2014 Credit Facility") in the amount of \$160,000,000, which matures in February 2019. At September 30, 2015, the Company had \$68,500,000 outstanding under the 2014 Credit Facility and \$91,500,000 was available for borrowings. The 2014 Credit Facility bears interest, at the Company's option, at either (i) the prevailing London Interbank Offered Rate ("LIBOR") (with interest periods of 1, 2, 3 or 6 months at the Company's option) plus a fixed spread of 2.5% or (ii) the prevailing prime or base rate plus a fixed spread of 1.5%. The interest rate on amounts outstanding under the 2014 Credit Facility at September 30, 2015 was 2.75% based on the prevailing 30-day LIBOR rate. The 2014 Credit Facility requires the Company to maintain certain financial ratios and comply with certain financial covenants and allows the Company to make certain restricted payments, such as repurchasing shares of its stock and paying cash dividends, within certain parameters, provided the Company maintains compliance with those financial ratios and covenants after giving effect to such restricted payments. The Company was in compliance with the requirements and covenants of the 2014 Credit Facility as of September 30, 2015, and believes it has the capacity to borrow the full amount available under the 2014 Credit Facility under the most restrictive covenant. During the nine months ended September 30, 2015, the Company had net proceeds of \$46,100,000 on the 2014 Credit Facility.

At September 30, 2015, the Company maintained a line of credit with a bank in Mexico (the "Mexico Credit Facility") in the amount of \$10,000,000. The Mexico Credit Facility bears interest at the prevailing 30-day LIBOR rate plus a fixed spread of 2.0% and matures in December 2017. Under the terms of the Mexico Credit Facility, the Company is required to maintain certain financial ratios and comply with certain financial covenants. The Company was in compliance with the requirements and covenants of the Mexico Credit Facility as of September 30, 2015, and believes it has the capacity to borrow the full amount available under the Mexico Credit Facility under the most restrictive covenant. The Company is required to pay a one-time commitment fee of \$25,000 due when the first amount is drawn/borrowed. At September 30, 2015, the Company had no amount outstanding under the Mexico Credit Facility and \$10,000,000 was available for borrowings.

In general, revenue growth is dependent upon the Company's ability to fund growth of store locations, customer loan balances and inventories. In addition to these factors, changes in loan balances, collection of pawn fees, merchandise sales, inventory levels, operating expenses, administrative expenses, tax rates, gold prices, foreign currency exchange rates and the pace of new store expansions and acquisitions affect the Company's liquidity. Management believes that cash on hand, the borrowings available under its credit facilities, anticipated cash generated from operations (including the normal seasonal increases in operating cash flows occurring in the first and fourth quarters) and other current working capital will be sufficient to meet the Company's anticipated capital requirements for its business for at least the next twelve months. Where appropriate or desirable, in connection with the Company's efficient management of its liquidity position, the Company could seek to raise additional funds from a variety of sources, including the sale of assets, reductions in capital spending, the issuance of debt or equity securities and/or changes to its management of

current assets. The characteristics of the Company's current assets, specifically the ability to rapidly liquidate gold jewelry inventory and adjust outflows of cash in its lending practices, gives the Company flexibility to quickly modify its business strategy to increase cash flow from its business, if necessary. Regulatory developments affecting the Company's operations may also impact profitability and liquidity. See "—Regulatory Developments."

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The following tables set forth certain historical information with respect to the Company's sources and uses of cash and other key indicators of liquidity (unaudited, dollar amounts in thousands):

|  | Nine Months Ended<br>September 30, |   |            |   |
|--|------------------------------------|---|------------|---|
|  | 2015                               |   | 2014       |   |
| Cash flow provided by operating activities           | \$ 65,122                          |   | \$ 69,328  |   |
| Cash flow used in investing activities               | \$ (70,842                         | ) | \$ (76,998 | ) |
| Cash flow provided by (used in) financing activities | \$ 18,644                          |   | \$ (19,325 | ) |
|  | Balance at September 30,           |   |            |   |
|  | 2015                               |   | 2014       |   |
| Working capital                                      | \$ 283,786                         |   | \$ 258,035 |   |
| Current ratio  | 7.04:1                             |   | 6.14:1     |   |
| Liabilities to equity                                | 72                                 | % | 64         | % |
| Inventory turns (trailing twelve months)             | 3.4x                               |   | 3.7x       |   |

Net cash provided by operating activities decreased \$4,206,000, or 6%, from \$69,328,000 for the nine months ended September 30, 2014 to \$65,122,000 for the nine months ended September 30, 2015, due primarily to a decrease in net income of \$16,925,000 partially offset by the \$7,913,000 non-cash goodwill impairment charge and other net changes in certain operating assets and liabilities (as noted in the consolidated statements of cash flows).

Net cash used in investing activities decreased \$6,156,000, or 8%, from \$76,998,000 for the nine months ended September 30, 2014 to \$70,842,000 for the nine months ended September 30, 2015. Cash flows from investing activities are utilized primarily to fund pawn store acquisitions, growth of pawn loans and purchases of property and equipment. The Company paid \$33,015,000 in cash related to acquisitions during the nine months ended September 30, 2015 compared to \$34,873,000 in the prior-year period. The Company funded loans of \$22,299,000 during the nine months ended September 30, 2015 compared to \$24,324,000 during the nine months ended September 30, 2014.

Net cash provided by financing activities increased \$37,969,000, or 196%, from net cash used in financing activities of \$19,325,000 for the nine months ended September 30, 2014 to net cash provided by financing activities of \$18,644,000 for the nine months ended September 30, 2015. Net payments on the Company's prior credit facility and the 2014 Credit Facility were \$164,500,000 during the nine months ended September 30, 2014 compared to net proceeds of \$46,100,000 from the 2014 Credit Facility during the nine months ended September 30, 2015. The Company also paid \$1,401,000 of debt issuance costs related to the 2014 Credit Facility during the nine months ended September 30, 2014. The Company received proceeds from the offering of the Notes of \$200,000,000 and paid \$5,200,000 of related debt issuance costs during the nine months ended September 30, 2014. The Company repurchased shares of its common stock (\$31,974,000 during the nine months ended September 30, 2015 compared to \$43,947,000 during the nine months ended September 30, 2014), and realized proceeds from the exercise of stock options and the related tax benefit of \$4,518,000 during the nine months ended September 30, 2015 compared to \$4,075,000 during the nine months ended September 30, 2014.

During the nine months ended September 30, 2015, the Company opened 32 new pawn stores in Mexico and acquired 30 pawn stores in the United States. The purchase price of the 2015 acquisitions, net of cash acquired, was \$33,240,000 and was composed of \$32,090,000 in cash paid at closing and an additional \$1,150,000 payable on or before June 2016. During the nine months ended September 30, 2015, the Company paid \$925,000 of amounts payable related to previous acquisitions. The Company funded \$15,528,000 in capital expenditures, primarily for new stores, during the nine months ended September 30, 2015 and expects to fund capital expenditures at a similar

annualized rate in the remainder of 2015. Acquisition purchase prices, capital expenditures, working capital requirements and start-up losses related to this expansion have been primarily funded through cash balances, operating cash flows and the Company's credit facilities. The Company's cash flow and liquidity available to fund expansion in 2015 included net cash flow from operating activities of \$65,122,000 for the nine months ended September 30, 2015.

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The Company intends to continue expansion primarily through acquisitions and new store openings. For fiscal 2015, the Company expects to add approximately 80 stores. Management believes that cash on hand, the amounts available to be drawn under the credit facilities and cash generated from operations will be sufficient to accommodate the Company's current operations and store expansion plans for the remainder of 2015.

The Company continually looks for, and is presented with, potential acquisition opportunities. The Company currently has no contractual commitments for materially significant future acquisitions or other capital commitments. The Company will evaluate potential acquisitions based upon growth potential, purchase price, available liquidity, strategic fit and quality of management personnel, among other factors. If the Company encounters an attractive opportunity to acquire new stores in the near future, the Company may seek additional financing, the terms of which will be negotiated on a case-by-case basis.

In January 2015, the Company's Board of Directors authorized a new common stock repurchase program for up to 2,000,000 shares of the Company's outstanding common stock. During the nine months ended September 30, 2015, the Company repurchased 661,000 shares of its common stock at an aggregate cost of \$31,974,000 at an average price of \$48.37 per share and 1,339,000 shares remain available for repurchase under the repurchase program. The number of shares to be purchased and the timing of the purchases are based on a variety of factors, including, but not limited to, the level of cash balances, credit availability, debt covenant restrictions, general business conditions, regulatory requirements, the market price of the Company's stock and the availability of alternative investment opportunities. No time limit was set for completion of repurchases under the new authorization and the program may be suspended or discontinued at any time.

## Non-GAAP Financial Information

The Company uses certain financial calculations such as adjusted net income, adjusted net income per share, adjusted EBITDA, free cash flow and constant currency results (as defined or explained below) as factors in the measurement and evaluation of the Company's operating performance and period-over-period growth. The Company derives these financial calculations on the basis of methodologies other than generally accepted accounting principles ("GAAP"), primarily by excluding from a comparable GAAP measure certain items that the Company does not consider to be representative of its actual operating performance. These financial calculations are "non-GAAP financial measures" as defined in Securities and Exchange Commission ("SEC") rules. The Company uses these financial calculations in operating its business because management believes they are less susceptible to variances in actual operating performance that can result from the excluded items and other infrequent charges. The Company presents these financial measures to investors because management believes they are useful to investors in evaluating the primary factors that drive the Company's operating performance and because management believes they provide greater transparency into the Company's results of operations. However, items that are excluded and other adjustments and assumptions that are made in calculating adjusted net income, adjusted net income per share, adjusted EBITDA, free cash flow and constant currency results are significant components in understanding and assessing the Company's financial performance. These non-GAAP financial measures should be evaluated in conjunction with, and are not a substitute for, the Company's GAAP financial measures. Further, because these non-GAAP financial measures are not determined in accordance with GAAP and are thus susceptible to varying calculations, adjusted net income, adjusted net income per share, adjusted EBITDA, free cash flow and constant currency results as presented may not be comparable to other similarly titled measures of other companies.

## Adjusted Net Income and Adjusted Net Income Per Share

Management believes the presentation of adjusted net income and adjusted net income per share ("Adjusted Income Measures") provides investors with greater transparency and provides a more complete understanding of the Company's financial performance and prospects for the future. In addition, management believes the adjustments shown below are useful to investors in order to allow them to compare the Company's financial results for the current quarter with

the prior-year quarter, respectively.

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The following table provides a reconciliation for the three and nine months ended September 30, 2015 and 2014, respectively, between the net income and diluted earnings per share calculated in accordance with GAAP to the Adjusted Income Measures, which are shown net of tax (in thousands, except per share data):

|   | Three Months Ended September 30, |        |           |         | Nine Months Ended September 30, |         |           |         |
|---|----------------------------------|--------|-----------|---------|---------------------------------|---------|-----------|---------|
|   | 2015                             |        | 2014      |         | 2015                            |         | 2014      |         |
|   | In                               | Per    | In        | Per     | In                              | Per     | In        | Per     |
|   | Thousands                        | Share  | Thousands | Share   | Thousands                       | Share   | Thousands | Share   |
| Net income, as reported   | \$ 11,173                        | \$0.40 | \$ 19,528 | \$ 0.68 | \$ 41,300                       | \$ 1.45 | \$ 58,225 | \$ 2.00 |
| Adjustments, net of tax:  |                                  |        |           |         |                                 |         |           |         |
| Non-recurring restructuring expenses related to U.S. consumer loan operations | 5,485                            | 0.19   | —         | —       | 5,784                           | 0.20    | —         | —       |
| Non-recurring store acquisition expenses                                      | —                                | —      | 208       | 0.01    | 799                             | 0.03    | 245       | 0.01    |
| Non-recurring tax benefit   | —                                | —      | —         | —       | —                               | —       | (3,699)   | (0.13)  |
| Adjusted net income   | \$ 16,658                        | \$0.59 | \$ 19,736 | \$ 0.69 | \$ 47,883                       | \$ 1.68 | \$ 54,771 | \$ 1.88 |

The following tables provide a reconciliation for the three and nine months ended September 30, 2015 and 2014, respectively, of the gross amounts, the impact of income taxes and the net amounts for each of the adjustments included in the table above (in thousands):

|   | Three Months Ended September 30, |          |           |         |          |            |
|---|----------------------------------|----------|-----------|---------|----------|------------|
|   | 2015                             |          |           | 2014    |          |            |
|   | Pre-tax                          | Tax      | After-tax | Pre-tax | Tax      | After-tax  |
| Non-recurring restructuring expenses related to U.S. consumer loan operations | \$ 8,439                         | \$ 2,954 | \$ 5,485  | \$ —    | \$ —     | \$ —       |
| Non-recurring store acquisition expenses                                      | —                                | —        | —         | 320     | 112      | 208        |
| Total adjustments   | \$ 8,439                         | \$ 2,954 | \$ 5,485  | \$ 320  | \$ 112   | \$ 208     |
|   | Nine Months Ended September 30,  |          |           |         |          |            |
|   | 2015                             |          |           | 2014    |          |            |
|   | Pre-tax                          | Tax      | After-tax | Pre-tax | Tax      | After-tax  |
| Non-recurring restructuring expenses related to U.S. consumer loan operations | \$ 8,878                         | \$ 3,094 | \$ 5,784  | \$ —    | \$ —     | \$ —       |
| Non-recurring store acquisition expenses                                      | 1,175                            | 376      | 799       | 376     | 131      | 245        |
| Non-recurring tax benefit   | —                                | —        | —         | —       | 3,699    | (3,699)    |
| Total adjustments   | \$ 10,053                        | \$ 3,470 | \$ 6,583  | \$ 376  | \$ 3,830 | \$ (3,454) |

## Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization

The Company defines adjusted EBITDA as net income before income taxes, depreciation and amortization, interest expense, interest income and non-recurring charges as listed below. The Company believes adjusted EBITDA is commonly used by investors to assess a company's leverage capacity, liquidity and financial performance. However, adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation or as a substitute for net income or other statement of income data prepared in accordance with GAAP. The following table provides a reconciliation of net income to adjusted EBITDA (unaudited, in thousands):

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|   | Three Months Ended |           | Nine Months Ended |            | Trailing Twelve |            |
|---|--------------------|-----------|-------------------|------------|-----------------|------------|
|   | September 30,      |           | September 30,     |            | Months Ended    |            |
|   | 2015               | 2014      | 2015              | 2014       | 2015            | 2014       |
| Net income  | \$ 11,173          | \$ 19,528 | \$ 41,300         | \$ 58,225  | \$ 68,241       | \$ 83,003  |
| Income taxes  | 5,061              | 8,352     | 18,754            | 21,790     | 28,506          | 32,087     |
| Depreciation and amortization (1)   | 4,373              | 4,404     | 13,158            | 13,001     | 17,633          | 17,016     |
| Interest expense  | 4,336              | 4,059     | 12,482            | 9,405      | 16,604          | 10,423     |
| Interest income   | (406 )             | (179 )    | (1,143 )          | (522 )     | (1,303 )        | (577 )     |
| Non-recurring restructuring expenses related to U.S. consumer loan operations | 8,439              | —         | 8,878             | —          | 8,878           | —          |
| Non-recurring store acquisition expenses                                      | —                  | 320       | 1,175             | 376        | 1,796           | 1,111      |
| Adjusted EBITDA   | \$ 32,976          | \$ 36,484 | \$ 94,604         | \$ 102,275 | \$ 140,355      | \$ 143,063 |
| Adjusted EBITDA margin calculated as follows:                                 |                    |           |                   |            |                 |            |
| Total revenue   |                    |           |                   |            | \$ 715,952      | \$ 695,306 |
| Adjusted EBITDA   |                    |           |                   |            | \$ 140,355      | \$ 143,063 |
| Adjusted EBITDA as a percentage of revenue                                    |                    |           |                   |            | 20 %            | 21 %       |
| Leverage ratio (indebtedness divided by adjusted EBITDA):                     |                    |           |                   |            |                 |            |
| Indebtedness  |                    |           |                   |            | \$ 268,500      | \$ 217,500 |
| Adjusted EBITDA   |                    |           |                   |            | \$ 140,355      | \$ 143,063 |
| Leverage ratio  |                    |           |                   |            | 1.9:1           | 1.5:1      |

(1) For the three months ended September 30, 2015, excludes \$264,000 of depreciation and amortization and for the nine months and trailing twelve months ended September 30, 2015, excludes \$493,000 of depreciation and amortization, which are included in the non-recurring restructuring expenses related to U.S. consumer loan operations.

## Free Cash Flow

For purposes of its internal liquidity assessments, the Company considers free cash flow, which is defined as cash flow from the operating activities of continuing and discontinued operations reduced by purchases of property and equipment and net cash outflow from loan receivables. Free cash flow is commonly used by investors as a measure of cash generated by business operations that will be used to repay scheduled debt maturities and can be used to invest in future growth through new business development activities or acquisitions, repurchase stock, or repay debt obligations prior to their maturities. These metrics can also be used to evaluate the Company's ability to generate cash flow from business operations and the impact that this cash flow has on the Company's liquidity. However, free cash flow has limitations as an analytical tool and should not be considered in isolation or as a substitute for cash flow from operating activities, including discontinued operations, or other income statement data prepared in accordance with GAAP. The following table reconciles "net cash flow from operating activities, including discontinued operations" to "free cash flow" (unaudited, in thousands):





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|  | Trailing Twelve Months Ended |           |
|--|------------------------------|-----------|
|  | September 30,                |           |
|  | 2015                         | 2014      |
| Cash flow from operating activities, including discontinued operations | \$93,473                     | \$102,027 |
| Cash flow from investing activities:                                   |                              |           |
| Loan receivables   | (445                         | ) (8,095  |
| Purchases of property and equipment                                    | (21,681                      | ) (26,528 |
| Free cash flow   | \$71,347                     | \$67,404  |

## Constant Currency Results

The Company's reporting currency is the U.S. dollar. However, certain performance metrics discussed in this report are presented on a "constant currency" basis, which may be considered a non-GAAP measurement of financial performance. The Company's management uses constant currency results to evaluate operating results of certain business operations in Mexico, which are transacted in Mexican pesos. The scrap jewelry generated in Mexico is exported and sold in U.S. dollars, which does not contribute to the Company's peso-denominated revenue stream. Constant currency results reported herein are calculated by translating certain balance sheet and income statement items denominated in Mexican pesos using the exchange rate from the prior-year comparable period, as opposed to the current comparable period, in order to exclude the effects of foreign currency rate fluctuations for purposes of evaluating period-over-period comparisons. The following table provides exchange rates for the current and prior year periods (unaudited):

|   | September 30, |      | Decrease |
|---|---------------|------|----------|
|   | 2015          | 2014 |          |
| Mexican peso / U.S. dollar exchange rate: |               |      |          |
| End-of-period                             | 17.0          | 13.5 | (26 )%   |
| Three months ended                        | 16.4          | 13.1 | (25 )%   |
| Nine months ended                         | 15.5          | 13.1 | (18 )%   |

## Regulatory Developments

The Company is subject to significant regulation of its pawn, consumer loan and general business operations in all of the jurisdictions in which it operates. These regulations are implemented through various laws, ordinances and regulatory pronouncements from federal, state and municipal governmental entities in the United States and Mexico. These regulatory bodies often have broad discretionary authority in the establishment, interpretation and enforcement of such regulations. These regulations are often subject to change, sometimes significantly, as a result of political, economic or social trends, events and media perceptions.

The Company is subject to specific laws, ordinances and regulations primarily concerning its pawn and consumer lending operations. Many statutes and regulations prescribe, among other things, the general terms of the Company's pawn and consumer loan agreements, including maximum service fees and/or interest rates that may be charged and collected. In many jurisdictions in both the United States and Mexico, the Company must obtain and maintain regulatory operating licenses and comply with regular or frequent regulatory reporting and registration requirements, including reporting and recording of pawn loans, pawned collateral, used merchandise purchased from the general public, retail sales activities, firearm transactions, export, import and transfer of merchandise, and currency transactions, among other things.

In both the United States and Mexico, governmental action to further restrict or even prohibit pawn loans and transactions or small consumer loans, such as payday advances and credit services products, has been advocated over

the past few years by elected officials, regulators, consumer advocacy groups and by media. The consumer groups and media typically focus on the aggregated cost to a consumer for pawn and consumer loans, which is typically higher than the interest generally charged by banks, credit unions and credit card issuers to a more creditworthy consumer. They also focus on affordability issues such as the borrower's ability to repay such loans, real or perceived patterns of sustained or cyclical usage of such lending products and consumer loan collection practices perceived to be unfair or abusive. The consumer groups and media articles often characterize pawn and especially payday lending activities as unfair or potentially abusive to consumers. During the last few years, in both the United States and Mexico, legislation or ordinances (on federal, state and municipal levels) have been introduced or enacted to prohibit, restrict or further regulate pawn loans and related transactions, including acceptance of pawn collateral, sale of merchandise,

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payday loans, consumer loans, credit services and related service fees. In addition, regulatory authorities in various levels of government in the United States and Mexico have and will likely continue to propose or publicly address new or expanded regulations that would prohibit or further restrict pawn and consumer lending activities, or other related pawn transactions. Existing regulations and recent regulatory developments are described in greater detail in the Company's annual report on Form 10-K for the year ended December 31, 2014, which is supplemented with the discussion provided in the following paragraphs.

In March 2015, the Federal Consumer Financial Protection Bureau ("CFPB") published proposed rules significantly affecting payday loans, vehicle title loans, deposit advance products, high-cost installment and open ended loans, lines of credit and other loans ("Proposed Rules"). The Proposed Rules, among other things, would require additional underwriting criteria, cooling-off periods between certain loans and limitations to prevent the sustained use of certain loans. For example, the Proposed Rules would require lenders to analyze whether consumers can afford and repay the loans without incurring increasing costs, cap loan amounts, limit vehicles as collateral, cap the number of rollovers at two (three loans total) and require that the principal decrease with each rollover loan so that it is repaid after the third loan or provide a no-cost "off-ramp" after the third loan. The Proposed Rules would also restrict lenders from attempting to collect payment from consumers' bank accounts in ways that cause the consumer to incur excessive bank fees. The CFPB published the Proposed Rules under consideration in preparation for convening a Small Business Review Panel to gather feedback from industry experts, small lenders, and the business community which is the next step in the rule-making process. The Proposed Rules are not final and could change significantly.

The Company does not currently anticipate that the Proposed Rules will materially affect the Company's pawn loan products; however, the Company's consumer loan, credit services and vehicle title loan products could be affected if they are finally adopted as written. It is not possible to accurately predict the scope, extent, nature or effect of the Proposed Rules. Further, there can be no assurance that the CFPB will not propose or adopt future rules affecting pawn or short-term lending products, such as payday, title lending and credit services products, making them materially less profitable or even impractical to offer.

Primarily as a result of municipal ordinances enacted in certain cities in Texas, which further restrict payday and title lending operations, the Company has closed 14 stand-alone consumer loan stores year-to-date and plans to close at least eight additional stand-alone consumer loan stores during the fourth quarter. After these closings, the Company will have no stand-alone consumer loan stores in markets with currently enacted municipal ordinances further restricting payday and title lending operations. Due to the impacts of recently enacted and additional proposed local, state and federal regulatory restrictions affecting short-term and long-term profitability expectations for payday and title lending products, the Company's long-term ongoing strategy to reduce non-core consumer lending operations along with significant deterioration in payday lending market conditions, the Company recorded a \$7,913,000 goodwill impairment charge during the third quarter of 2015 related to its U.S. consumer loan operations reporting unit. As of September 30, 2015, the Company has no remaining goodwill or other intangible assets associated with this reporting unit. During the nine months ended September 30, 2015, the Company's consumer and vehicle loan operations represented approximately 4% of the Company's overall revenues.

In July 2015, the Department of Defense published a finalized set of new rules ("MLA Rules") under the Military Lending Act ("MLA"). The MLA has historically restricted the Company from offering its short-term, unsecured credit products to members of the military or their dependents because none of the Company's short-term unsecured credit products carry a military annual percentage rate of 36% or less for a specified term. The new MLA Rules now expand the scope of the credit products to include certain loans secured by personal property or vehicles and certain unsecured installment loan products to the extent any of such products have an annual percentage rate greater than 36%. Once the new rule takes effect, the Company may not be able to offer any of its current credit products (including pawn loans) to members of the military or their dependents because current product offerings do not conform to the MLA Rules. The new MLA Rules are scheduled to become effective on October 3, 2016. Compliance with the new MLA

Rules could be complex and increase compliance costs; however, the Company does not expect compliance with the new MLA Rules to have a material adverse impact on the Company's financial condition or operating results once the rules take effect.

The Company is subject to numerous other types of regulations, including but not limited to, regulations related to securities and exchange activities, including financial reporting and internal controls processes, data protection and privacy, tax compliance, labor and employment practices, real estate transactions, electronic banking, credit card transactions, marketing, and advertising and other general business activities.

There can be no assurance that additional local, state or federal statutes or regulations in either the United States or Mexico will not be enacted or that existing laws and regulations will not be amended, decreed or interpreted at some future date that could prohibit or limit the ability of the Company to profitably operate any or all of its services. For example, such regulations could restrict the ability of the Company to offer pawn loans, consumer loans and credit services, or significantly decrease the interest rates or service fees for such lending activities, or prohibit or more stringently regulate the acceptance of pawn collateral, sale, exportation or importation of pawn merchandise, or processing of consumer loan transactions through the banking system, any

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of which could have a material adverse effect on the Company's operations and financial condition. If legislative or regulatory actions or interpretations are taken at a federal, state or local jurisdiction level in the United States or Mexico which negatively affect the pawn, consumer loan or credit services industries where the Company has a significant number of stores, those actions could have a material adverse effect on the Company's business operations. There can be no assurance that such regulatory action at any jurisdiction level in the United States or Mexico will not be enacted, or that existing laws and regulations will not be amended, decreed or interpreted in such a way which could have a material adverse effect on the Company's operations and financial condition.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks relating to the Company's operations result primarily from changes in interest rates, gold prices and foreign currency exchange rates, and are described in detail in the Company's 2014 annual report on Form 10-K. The impact of current-year fluctuations in gold prices and foreign currency exchange rates, in particular, are further discussed in Part I, Item 2 herein. There have been no material changes to the Company's exposure to market risks since December 31, 2014.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, management of the Company has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) (the "Exchange Act") as of September 30, 2015 (the "Evaluation Date"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective (i) to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms; and (ii) to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

There was no change in the Company's internal control over financial reporting during the quarter ended September 30, 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's management, including its Chief Executive Officer and Chief Financial Officer, does not expect that the Company's disclosure controls and procedures or internal controls will prevent all possible error and fraud. The Company's disclosure controls and procedures are, however, designed to provide reasonable assurance of achieving their objectives, and the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective at that reasonable assurance level.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material changes in the status of legal proceedings previously reported in the Company's 2014 annual report on Form 10-K.

ITEM 1A. RISK FACTORS

Important risk factors that could affect the Company's operations and financial performance, or that could cause results or events to differ from current expectations, are described in Part I, Item 1A, "Risk Factors" of the Company's 2014 annual report on Form 10-K. These factors are supplemented by those discussed under "Management's Discussion And Analysis Of Financial Condition And Results Of Operations" and "Regulatory Developments" in Part I, Item 2 of this quarterly report and in "Governmental Regulation" in Part I, Item 1 of the Company's 2014 annual report on Form 10-K.

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## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the period from January 1, 2015 through September 30, 2015, the Company issued 145,000 shares of common stock relating to the exercise of outstanding stock options for an aggregate exercise price of \$4,518,000 (including income tax benefit). During the period from January 1, 2015 through September 30, 2015, the Company granted a total of 45,000 nonvested shares of restricted common stock to certain executives of the Company. A total of 5,000 previously granted restricted shares vested and were issued during the period from January 1, 2015 through September 30, 2015.

The transactions set forth in the above paragraph were completed pursuant to Section 4(2) of the Securities Act, did not involve a public offering and were sold to a limited group of persons. Each recipient either received adequate information about the Company or had access, through employment or other relationships, to such information, and the Company determined that each recipient had such knowledge and experience in financial and business matters that they were able to evaluate the merits and risks of an investment in the Company. All sales of the Company's securities were made by officers of the Company who received no commission or other remuneration for the solicitation of any person in connection with the respective sales of securities described above.

In January 2015, the Company's Board of Directors authorized a repurchase program for up to 2,000,000 shares of the Company's outstanding common stock. During the nine months ended September 30, 2015, the Company repurchased 661,000 shares of its common stock at an aggregate cost of \$31,974,000 at an average price of \$48.37 per share and 1,339,000 shares remain available for repurchase under the repurchase program. Under its share repurchase program, the Company can purchase common stock in open market transactions, block or privately negotiated transactions, and may from time to time purchase shares pursuant to a trading plan in accordance with Rule 10b5-1 and Rule 10b-18 under the Exchange Act, or by any combination of such methods. The number of shares to be purchased and the timing of the purchases are based on a variety of factors, including, but not limited to, the level of cash balances, credit availability, debt covenant restrictions, general business conditions, regulatory requirements, the market price of the Company's stock and the availability of alternative investment opportunities. No time limit was set for completion of repurchases under the authorization and the program may be suspended or discontinued at any time.

The following table provides the information with respect to purchases made by the Company of shares of its common stock during each month that the program was in effect during the nine months ended September 30, 2015:

|  | Total<br>Number<br>Of Shares<br>Purchased | Average<br>Price<br>Paid<br>Per Share | Total Number Of<br>Shares Purchased<br>As Part Of Publicly<br>Announced Plans | Maximum Number<br>Of Shares That May<br>Yet Be Purchased<br>Under The Plans |
|--|---|---------------------------------------|---|---|
| January 1 through January 31, 2015     | 79,600                                    | \$49.94                               | 79,600  | 1,920,400   |
| February 1 through February 28, 2015   | 256,002                                   | 50.78                                 | 256,002   | 1,664,398   |
| March 1 through March 31, 2015         | —   | —                                     | —   | 1,664,398   |
| April 1 through April 30, 2015         | 127,115                                   | 47.20                                 | 127,115   | 1,537,283   |
| May 1 through May 31, 2015             | —   | —                                     | —   | 1,537,283   |
| June 1 through June 30, 2015           | —   | —                                     | —   | 1,537,283   |
| July 1 through July 31, 2015           | 198,373                                   | 45.37                                 | 198,373   | 1,338,910   |
| August 1 through August 31, 2015       | —   | —                                     | —   | 1,338,910   |
| September 1 through September 30, 2015 | —   | —                                     | —   | 1,338,910   |
| Total                                  | 661,090                                   | \$48.37                               | 661,090   |   |

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES



Not Applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

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## ITEM 5. OTHER INFORMATION

None.

## ITEM 6. EXHIBITS

| Exhibit No. | Exhibit Description   | Incorporated by Reference |          |         |             | Filed Herewith |
|-------------|---|---------------------------|----------|---------|-------------|----------------|
|             |   | Form                      | File No. | Exhibit | Filing Date |                |
| 3.1         | Amended Certificate of Incorporation  | DEF 14A                   | 0-19133  | A       | 04/29/2004  |                |
| 3.2         | Amended Bylaws  | 10-K                      | 0-19133  | 3.2     | 03/31/2000  |                |
| 4.1         | Common Stock Specimen   | S-1                       | 33-48436 | 4.2a    | 06/05/1992  |                |
| 4.2         | Indenture, dated as of March 24, 2014, by and among First Cash Financial Services, Inc., the guarantors listed therein and BOKF, NA, dba Bank of Texas (including the form of Note attached as an exhibit thereto)  | 8-K                       | 0-19133  | 4.1     | 03/25/2014  |                |
| 31.1        | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act provided by Rick L. Wessel, Chief Executive Officer   |                           |          |         |             | X              |
| 31.2        | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act provided by R. Douglas Orr, Chief Financial Officer   |                           |          |         |             | X              |
| 32.1        | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 provided by Rick L. Wessel, Chief Executive Officer  |                           |          |         |             | X              |
| 32.2        | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 provided by R. Douglas Orr, Chief Financial Officer  |                           |          |         |             | X              |
| 101 (1)     | The following financial information from the Company's Quarterly Report on Form 10-Q for the third quarter of fiscal 2015, filed with the SEC on October 28, 2015, is formatted in Extensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets at September 30, 2015, September 30, 2014 and December 31, 2014, (ii) Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2015 and September 30, 2014, (iii) Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2015 and September 30, 2014, (iv) |                           |          |         |             | X              |

Condensed Consolidated Statements of Changes in Stockholders' Equity for the nine months ended September 30, 2015 and September 30, 2014, (v) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and September 30, 2014 and (vi) Notes to Condensed Consolidated Financial Statements.

(1) The XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

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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 thereunto duly authorized.

Dated: October 28, 2015

FIRST CASH FINANCIAL SERVICES, INC.  
(Registrant)

/s/ RICK L. WESSEL  
Rick L. Wessel  
Chief Executive Officer  
(Principal Executive Officer)

/s/ R. DOUGLAS ORR  
R. Douglas Orr  
Executive Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

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## INDEX TO EXHIBITS

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