

FIRSTCASH, INC  
Form 10-Q  
August 07, 2017  
Table of Contents

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 June 30, 2017

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-10960

FIRSTCASH, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

1600 West 7th Street, Fort Worth, Texas

(Address of principal executive offices)

75-2237318

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

76102

(Zip Code)

(817) 335-1100

(Registrant's telephone number, including area code)

NONE

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Table of Contents

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 July 31, 2017, there were 47,719,970 shares of common stock outstanding.

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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

---

Table of Contents

FIRSTCASH, INC.  
FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2017

INDEX

PART I. FINANCIAL INFORMATION

|                |  |           |
|----------------|--|-----------|
| <u>Item 1.</u> | <u>Financial Statements (Unaudited)</u>  | <u>1</u>  |
|                | <u>Condensed Consolidated Balance Sheets</u>   | <u>1</u>  |
|                | <u>Condensed Consolidated Statements of Income</u>   | <u>2</u>  |
|                | <u>Condensed Consolidated Statements of Comprehensive Income (Loss)</u>                      | <u>3</u>  |
|                | <u>Condensed Consolidated Statements of Changes in Stockholders' Equity</u>                  | <u>3</u>  |
|                | <u>Condensed Consolidated Statements of Cash Flows</u>                                       | <u>5</u>  |
|                | <u>Notes to Condensed Consolidated Financial Statements</u>                                  | <u>6</u>  |
| <u>Item 2.</u> | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>16</u> |
| <u>Item 3.</u> | <u>Quantitative and Qualitative Disclosures About Market Risk</u>                            | <u>41</u> |
| <u>Item 4.</u> | <u>Controls and Procedures</u>   | <u>41</u> |

PART II. OTHER INFORMATION

|                 |  |           |
|-----------------|--|-----------|
| <u>Item 1.</u>  | <u>Legal Proceedings</u>   | <u>41</u> |
| <u>Item 1A.</u> | <u>Risk Factors</u>  | <u>41</u> |
| <u>Item 2.</u>  | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>42</u> |
| <u>Item 3.</u>  | <u>Defaults Upon Senior Securities</u>                             | <u>42</u> |
| <u>Item 4.</u>  | <u>Mine Safety Disclosures</u>                                     | <u>42</u> |
| <u>Item 5.</u>  | <u>Other Information</u>   | <u>42</u> |
| <u>Item 6.</u>  | <u>Exhibits</u>  | <u>43</u> |
|                 | <u>SIGNATURES</u>  | <u>45</u> |

---

Table of Contents

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 FirstCash, 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,” “intends,” “could,” “wants,” “anticipates,” “potential,” “confident,” “optimistic” or the negative thereof, or other variations thereon, or comparable terminology, or by discussions of strategy, objectives, estimates, guidance, expectations and future plans.

Forward-looking statements can also be identified by the fact 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.

These forward-looking 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 may include, without limitation, the risks, uncertainties and regulatory developments discussed and described in (i) the Company’s 2016 annual report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on March 1, 2017, including the risks described in Part 1, Item 1A, “Risk Factors” thereof, (ii) in this quarterly report, and (iii) the other reports filed with the SEC. 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.

---

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## FIRSTCASH, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited, in thousands)

|   | June 30,<br>2017 | 2016       | December<br>31,<br>2016 |
|---|------------------|------------|-------------------------|
| <b>ASSETS</b>                               |                  |            |                         |
| Cash and cash equivalents                   | \$91,434         | \$46,274   | \$89,955                |
| Fees and service charges receivable         | 42,810           | 18,259     | 41,013                  |
| Pawn loans                                  | 353,399          | 134,658    | 350,506                 |
| Consumer loans, net                         | 24,192           | 1,060      | 29,204                  |
| Inventories                                 | 301,361          | 91,861     | 330,683                 |
| Income taxes receivable                     | 23,866           | 3,938      | 25,510                  |
| Prepaid expenses and other current assets   | 19,667           | 3,843      | 25,264                  |
| Total current assets                        | 856,729          | 299,893    | 892,135                 |
| Property and equipment, net                 | 237,282          | 123,895    | 236,057                 |
| Goodwill                                    | 838,111          | 312,488    | 831,151                 |
| Intangible assets, net                      | 98,664           | 5,601      | 104,474                 |
| Other assets                                | 61,145           | 4,007      | 71,679                  |
| Deferred tax assets                         | 12,388           | 10,720     | 9,707                   |
| Total assets                                | \$2,104,319      | \$756,604  | \$2,145,203             |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b> |                  |            |                         |
| Accounts payable and accrued liabilities    | \$85,684         | \$35,566   | \$109,354               |
| Customer deposits                           | 37,601           | 15,490     | 33,536                  |
| Income taxes payable                        | 1,807            | 1,559      | 738                     |
| Total current liabilities                   | 125,092          | 52,615     | 143,628                 |
| Revolving unsecured credit facilities       | 97,000           | 50,500     | 260,000                 |
| Senior unsecured notes                      | 294,804          | 196,203    | 196,545                 |
| Deferred tax liabilities                    | 74,298           | 23,800     | 61,275                  |
| Other liabilities                           | 21,693           | —          | 33,769                  |
| Total liabilities                           | 612,887          | 323,118    | 695,217                 |
| Stockholders' equity:                       |                  |            |                         |
| Preferred stock                             | —                | —          | —                       |
| Common stock                                | 493              | 403        | 493                     |
| Additional paid-in capital                  | 1,218,822        | 203,414    | 1,217,969               |
| Retained earnings                           | 416,937          | 661,390    | 387,401                 |
| Accumulated other comprehensive loss        | (83,464 )        | (95,113 )  | (119,806 )              |
| Common stock held in treasury, at cost      | (61,356 )        | (336,608 ) | (36,071 )               |
| Total stockholders' equity                  | 1,491,432        | 433,486    | 1,449,986               |
| Total liabilities and stockholders' equity  | \$2,104,319      | \$756,604  | \$2,145,203             |

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

1

---

Table of Contents

FIRSTCASH, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (unaudited, in thousands, except per share amounts)

|  | Three Months Ended<br>June 30, |           | Six Months Ended<br>June 30, |           |
|--|--------------------------------|-----------|------------------------------|-----------|
|  | 2017                           | 2016      | 2017                         | 2016      |
| Revenue:   |                                |           |                              |           |
| Retail merchandise sales                         | \$243,822                      | \$115,543 | \$503,816                    | \$234,319 |
| Pawn loan fees                                   | 122,632                        | 51,878    | 250,883                      | 103,311   |
| Consumer loan and credit services fees           | 18,529                         | 4,916     | 39,749                       | 10,602    |
| Wholesale scrap jewelry sales                    | 31,646                         | 9,642     | 69,757                       | 16,950    |
| Total revenue                                    | 416,629                        | 181,979   | 864,205                      | 365,182   |
| Cost of revenue:                                 |                                |           |                              |           |
| Cost of retail merchandise sold                  | 156,473                        | 71,345    | 322,108                      | 145,767   |
| Consumer loan and credit services loss provision | 5,142                          | 1,320     | 9,234                        | 2,367     |
| Cost of wholesale scrap jewelry sold             | 30,590                         | 7,853     | 65,539                       | 13,724    |
| Total cost of revenue                            | 192,205                        | 80,518    | 396,881                      | 161,858   |
| Net revenue                                      | 224,424                        | 101,461   | 467,324                      | 203,324   |
| Expenses and other income:                       |                                |           |                              |           |
| Store operating expenses                         | 137,070                        | 54,578    | 273,814                      | 109,989   |
| Administrative expenses                          | 30,305                         | 16,509    | 63,543                       | 33,777    |
| Depreciation and amortization                    | 14,689                         | 4,947     | 28,932                       | 9,884     |
| Interest expense                                 | 5,585                          | 4,326     | 11,698                       | 8,786     |
| Interest income                                  | (393)                          | (224)     | (720)                        | (498)     |
| Merger and other acquisition expenses            | 1,606                          | 4,079     | 2,253                        | 4,479     |
| Loss on extinguishment of debt                   | 14,094                         | —         | 14,094                       | —         |
| Total expenses and other income                  | 202,956                        | 84,215    | 393,614                      | 166,417   |
| Income before income taxes                       | 21,468                         | 17,246    | 73,710                       | 36,907    |
| Provision for income taxes                       | 6,229                          | 5,573     | 25,826                       | 12,060    |
| Net income                                       | \$15,239                       | \$11,673  | \$47,884                     | \$24,847  |
| Net income per share:                            |                                |           |                              |           |
| Basic  | \$0.32                         | \$0.41    | \$0.99                       | \$0.88    |
| Diluted  | \$0.32                         | \$0.41    | \$0.99                       | \$0.88    |
| Dividends declared per common share              | \$0.190                        | \$0.125   | \$0.380                      | \$0.250   |

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

Table of Contents

FIRSTCASH, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF  
 COMPREHENSIVE INCOME (LOSS)  
 (unaudited, in thousands)

|                                    | Three Months Ended |            | Six Months Ended |           |
|------------------------------------|--------------------|------------|------------------|-----------|
|                                    | June 30, 2017      | 2016       | June 30, 2017    | 2016      |
| Net income                         | \$15,239           | \$11,673   | \$47,884         | \$24,847  |
| Other comprehensive income (loss): |                    |            |                  |           |
| Currency translation adjustment    | 13,337             | (14,214 )  | 36,342           | (16,703 ) |
| Comprehensive income (loss)        | \$28,576           | \$(2,541 ) | \$84,226         | \$8,144   |

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

FIRSTCASH, 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          | Shares       | Amount                     |                   |                                      | Shares                        | Amount     |                            |
| Balance at 12/31/2016                             | —               | 49,276       | \$ 493                     | \$1,217,969       | \$387,401                            | 769                           | \$(36,071) | \$1,449,986                |
| Shares issued under share-based compensation plan | —               | —            | —                          | (440 )            | —                                    | (10 )                         | 440        | —                          |
| Exercise of stock options                         | —               | —            | —                          | (242 )            | —                                    | (13 )                         | 549        | 307                        |
| Share-based compensation expense                  | —               | —            | —                          | 1,535             | —                                    | —                             | —          | 1,535                      |
| Net income  | —               | —            | —                          | —                 | 47,884                               | —                             | —          | 47,884                     |
| Dividends paid                                    | —               | —            | —                          | —                 | (18,348 )                            | —                             | —          | (18,348 )                  |
| Currency translation adjustment                   | —               | —            | —                          | —                 | —                                    | —                             | —          | 36,342                     |
| Repurchases of treasury stock                     | —               | —            | —                          | —                 | —                                    | —                             | 518        | (26,274 )                  |
| Balance at 6/30/2017                              | —               | 49,276       | \$ 493                     | \$1,218,822       | \$416,937                            | 1,264                         | \$(61,356) | \$1,491,432                |

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





Table of Contents

FIRSTCASH, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
CONTINUED

(unaudited, in thousands)

|  | Preferred<br>Stock | Common<br>Stock | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Accum-<br>ulated<br>Other<br>Compre-<br>hensive<br>Loss | Common Stock<br>Held in Treasury | Total<br>Stock-<br>holders'<br>Equity |            |
|--|--------------------|-----------------|----------------------------------|----------------------|---|----------------------------------|---------------------------------------|------------|
|  | Shares             | Amount          | Amount                           |                      |   | Shares                           | Amount                                |            |
| Balance at 12/31/2015                                    | —                  | \$ 40,288       | \$ 403                           | \$ 202,393           | \$ 643,604  | 12,052                           | \$(336,608)                           | \$ 431,382 |
| Shares issued under<br>share-based<br>com-pensation plan | 7                  | —               | —                                | —                    | —   | —                                | —                                     | —          |
| Share-based compensation<br>expense                      | —                  | —               | 1,021                            | —                    | —   | —                                | —                                     | 1,021      |
| Net income   | —                  | —               | —                                | 24,847               | —   | —                                | —                                     | 24,847     |
| Dividends paid   | —                  | —               | —                                | (7,061)              | —   | —                                | —                                     | (7,061)    |
| Currency translation<br>adjustment                       | —                  | —               | —                                | —                    | (16,703)  | —                                | —                                     | (16,703)   |
| Balance at 6/30/2016                                     | —                  | \$ 40,295       | \$ 403                           | \$ 203,414           | \$ 661,390  | 12,052                           | \$(336,608)                           | \$ 433,486 |

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

Table of Contents

FIRSTCASH, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (unaudited, in thousands)

|  | Six Months Ended<br>June 30, |           |
|--|------------------------------|-----------|
|  | 2017                         | 2016      |
| Cash flow from operating activities:   |                              |           |
| Net income   | \$47,884                     | \$24,847  |
| Adjustments to reconcile net income to net cash flow provided by operating activities: |                              |           |
| Non-cash portion of credit loss provision  | 5,973                        | 417       |
| Share-based compensation expense   | 1,535                        | 1,021     |
| Depreciation and amortization expense  | 28,932                       | 9,884     |
| Amortization of debt issuance costs  | 864                          | 462       |
| Amortization of favorable/(unfavorable) lease intangibles, net                         | (487 )                       | —         |
| Loss on extinguishment of debt   | 14,094                       | —         |
| Deferred income taxes, net   | 11,886                       | 2,562     |
| Changes in operating assets and liabilities, net of business combinations:             |                              |           |
| Fees and service charges receivable  | (478 )                       | (1,541 )  |
| Inventories  | 8,588                        | 599       |
| Prepaid expenses and other assets  | 12,379                       | 3,899     |
| Accounts payable, accrued liabilities and other liabilities                            | (30,959 )                    | (650 )    |
| Income taxes   | 2,602                        | (1,927 )  |
| Net cash flow provided by operating activities   | 102,813                      | 39,573    |
| Cash flow from investing activities:   |                              |           |
| Loan receivables, net of cash repayments   | 33,963                       | (9,466 )  |
| Purchases of property and equipment  | (17,401 )                    | (17,073 ) |
| Acquisitions of pawn stores, net of cash acquired                                      | (1,115 )                     | (27,653 ) |
| Net cash flow provided by (used in) investing activities                               | 15,447                       | (54,192 ) |
| Cash flow from financing activities:   |                              |           |
| Borrowings from revolving credit facilities  | 120,000                      | 29,500    |
| Repayments of revolving credit facilities  | (283,000)                    | (37,000 ) |
| Repayments of debt assumed from acquisitions   | —                            | (6,532 )  |
| Issuance of senior unsecured notes   | 300,000                      | —         |
| Repurchase/redemption of senior unsecured notes  | (200,000)                    | —         |
| Repurchase/redemption premiums paid on senior unsecured notes                          | (10,875 )                    | —         |
| Debt issuance costs paid   | (4,718 )                     | (23 )     |
| Purchases of treasury stock  | (26,274 )                    | —         |
| Proceeds from exercise of share-based compensation awards                              | 307                          | —         |
| Dividends paid   | (18,348 )                    | (7,061 )  |
| Net cash flow used in financing activities   | (122,908)                    | (21,116 ) |
| Effect of exchange rates on cash   | 6,127                        | (4,945 )  |
| Change in cash and cash equivalents  | 1,479                        | (40,680 ) |
| Cash and cash equivalents at beginning of the period                                   | 89,955                       | 86,954    |
| Cash and cash equivalents at end of the period   | \$91,434                     | \$46,274  |

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



Table of Contents

FIRSTCASH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(In thousands except per share amounts, unless otherwise indicated)

Note 1 - Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated balance sheet at December 31, 2016, which is derived from audited financial statements, and the unaudited condensed consolidated financial statements, including the notes thereto, include the accounts of FirstCash, Inc. and its wholly-owned subsidiaries (together, the “Company”). The Company regularly makes acquisitions and the results of operations for the acquired stores have been consolidated since the acquisition dates. 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, 2016, filed with the Securities and Exchange Commission (the “SEC”) on March 1, 2017. The condensed consolidated financial statements as of June 30, 2017 and 2016, and for the three month and six month periods ended June 30, 2017 and 2016, 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 June 30, 2017 are not necessarily indicative of the results that may be expected for the full fiscal year.

On September 1, 2016, the Company completed its merger with Cash America International, Inc. (“Cash America”), whereby Cash America merged with and into a wholly owned subsidiary of the Company (the “Merger”). The accompanying unaudited condensed consolidated results of operations for the three month and six month periods ended June 30, 2017 include the results of operations for Cash America, affecting comparability of 2017 and 2016 amounts. The Company has performed a valuation analysis of identifiable assets acquired and liabilities assumed and allocated the aggregate Merger consideration based on the fair values of those identifiable assets and liabilities. The purchase price allocation is subject to change as the Company finalizes the analysis of the fair value at the date of the Merger. The final determination of the fair value of assets acquired and liabilities assumed will be completed within the twelve month measurement period from the date of the Merger as required by applicable accounting guidance. Due to the significance of the Merger, the Company may use all of this measurement period to adequately analyze and assess the fair values of assets acquired and liabilities assumed.

The Company has significant operations in Latin America, where in Mexico and Guatemala the functional currency is the Mexican peso and Guatemalan quetzal, respectively. 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. Revenues and expenses are translated at the average exchange rates occurring during the three month and six month periods ended June 30, 2017 and 2016. The Company also has operations in El Salvador where the reporting and functional currency is the U.S. dollar.

Certain amounts in prior year comparative presentations have been reclassified in order to conform to the 2017 presentation.

Recent Accounting Pronouncements

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 disclosure 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 No. 2015-14, “Revenue from Contracts with Customers (Topic 606),” which delayed the effective date of ASU 2014-09 by one year. In addition, between March 2016 and December 2016, the Financial Accounting Standards Board issued ASU No. 2016-08, “Revenue from Contracts with Customers - Principal versus Agent Considerations (Reporting revenue gross versus net)” (“ASU 2016-08”), ASU No. 2016-10, “Identifying Performance Obligations and Licensing” (“ASU 2016-10”), ASU No. 2016-12, “Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients” (“ASU 2016-12”), and ASU No. 2016-20, “Technical Corrections and Improvements to Topic 606, Revenue from

Table of Contents

Contracts with Customers” (“ASU 2016-20”). ASU 2016-08, ASU 2016-10, ASU 2016-12 and ASU 2016-20 clarify certain aspects of ASU 2014-09 and provide additional implementation guidance. ASU 2014-09, ASU 2016-08, ASU 2016-10, ASU 2016-12 and ASU 2016-20 become 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. Entities are permitted to apply ASU 2014-09, ASU 2016-08, ASU 2016-10, ASU 2016-12 and ASU 2016-20 either retrospectively or through an alternative transition model. The Company is currently assessing the potential impact of ASU 2014-09, ASU 2016-08, ASU 2016-10, ASU 2016-12 and ASU 2016-20 on its consolidated financial statements.

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 adopted ASU 2015-11 as of January 1, 2017 and the guidance was applied prospectively. The Company determined there were no changes to the Company’s financial position, results of operations, financial statement disclosures or valuation of inventory.

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, “Leases (Topic 842)” (“ASU 2016-02”). ASU 2016-02 requires a lessee to recognize, in the statement of financial position, a liability to make lease payments (the lease liability) and a right-to-use asset representing its right to use the underlying asset for the lease term. Leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the income statement. Lessor accounting remains largely unchanged. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within those annual periods, with early adoption permitted. An entity will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Company is currently assessing the potential impact of ASU 2016-02 on its consolidated financial statements.

In June 2016, the Financial Accounting Standards Board issued ASU No. 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”). ASU 2016-13 amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. ASU 2016-13 is effective for public entities for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company is currently assessing the potential impact of ASU 2016-13 on its consolidated financial statements.

In August 2016, the Financial Accounting Standards Board issued ASU No. 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments” (“ASU 2016-15”). ASU 2016-15 clarifies how companies present and classify certain cash receipts and cash payments in the statement of cash flows. ASU 2016-15 addresses eight specific cash flow issues with the objective of reducing existing diversity in practice. ASU 2016-15 is effective for public entities for fiscal years beginning after December 15, 2017, with early adoption permitted. The Company is currently assessing the potential impact of ASU 2016-15 on its consolidated financial statements.

In January 2017, the Financial Accounting Standards Board issued ASU No. 2017-01, “Business Combinations (Topic 805) - Clarifying the Definition of a Business” (“ASU 2017-01”). ASU 2017-01 provides amendments to clarify the definition of a business and affects all companies and other reporting organizations that must determine whether they have acquired or sold a business. The amendments are intended to help companies and other organizations evaluate whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The guidance is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within

those fiscal years and should be applied prospectively as of the beginning of the period of adoption. Early adoption is permitted under certain circumstances. The Company does not expect ASU 2017-01 to have a material effect on the Company's current financial position, results of operations or financial statement disclosures.

In January 2017, the Financial Accounting Standards Board issued ASU No. 2017-04, "Intangibles - Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"). These amendments eliminate step 2 from the goodwill impairment test. The amendments also eliminate the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The guidance is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1,



Table of Contents

2017 and should be adopted on a prospective basis. The Company does not expect ASU 2017-04 to have a material effect on the Company's current financial position, results of operations or financial statement disclosures.

## Note 2 - Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

|   | Three Months<br>Ended<br>June 30,<br>2017 |          | Six Months<br>Ended<br>June 30,<br>2016 |          |
|---|---|----------|---|----------|
| Numerator:  |   |          |   |          |
| Net income  | \$15,239                                  | \$11,673 | \$47,884                                | \$24,847 |
| Denominator (in thousands):   |   |          |   |          |
| Weighted-average common shares for calculating basic earnings per share   | 48,261                                    | 28,243   | 48,324                                  | 28,242   |
| Effect of dilutive securities:  |   |          |   |          |
| Stock options and nonvested stock awards                                  | 28  | —        | 21                                      | —        |
| Weighted-average common shares for calculating diluted earnings per share | 48,289                                    | 28,243   | 48,345                                  | 28,242   |
| Net income per share:   |   |          |   |          |
| Basic   | \$0.32                                    | \$0.41   | \$0.99                                  | \$0.88   |
| Diluted   | \$0.32                                    | \$0.41   | \$0.99                                  | \$0.88   |

## Note 3 - Long-Term Debt

The following table details the Company's long-term debt at the respective principal amounts, net of unamortized debt issuance costs:

|  | June 30,<br>2017 |           | December<br>31,<br>2016 |
|--|------------------|-----------|-------------------------|
| Senior unsecured notes:                            |                  |           |                         |
| 5.375% senior notes due 2024 <sup>(1)</sup>        | \$294,804        | \$—       | \$—                     |
| 6.75% senior notes due 2021 <sup>(2)</sup>         | —                | 196,203   | 196,545                 |
|  | \$294,804        | \$196,203 | \$196,545               |
| Revolving unsecured credit facility, maturing 2022 | \$97,000         | \$50,500  | \$260,000               |

(1) As of June 30, 2017, deferred debt issuance costs of \$5,196 are included as a direct deduction from the carrying amount of the senior unsecured notes due 2024 in the accompanying condensed consolidated balance sheets.

(2) As of June 30, 2016 and December 31, 2016, deferred debt issuance costs of \$3,797 and \$3,455, respectively, are included as a direct deduction from the carrying amount of the senior unsecured notes due 2021 in the accompanying condensed consolidated balance sheets.

## Table of Contents

### Senior Unsecured Notes

On May 30, 2017, the Company completed an offering of \$300,000 of 5.375% senior notes due on June 1, 2024 (the “Notes”). Interest on the Notes will be payable semi-annually in arrears on June 1 and December 1, commencing on December 1, 2017. The Notes were sold to the placement agents as initial purchasers for resale only to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and outside the United States in accordance with Regulation S under the Securities Act. The Company used the proceeds from the offering to repurchase, or otherwise redeem, its outstanding \$200,000, 6.75% senior notes due 2021 (the “2021 Notes”), to pay down the Company’s credit facility and to pay for related fees and expenses associated with the offering and the repurchase and redemption of the 2021 Notes. The Company is capitalizing approximately \$5,200 in issuance costs, which consisted primarily of placement agent fees and legal and other professional expenses. The issuance costs are being amortized over the life of the Notes as a component of interest expense and are carried as a direct deduction from the carrying amount of the Notes in the accompanying condensed consolidated balance sheets.

The Notes are fully and unconditionally guaranteed on a senior unsecured basis jointly and severally by all of the Company's existing and future domestic subsidiaries that guarantee its primary revolving bank credit facility. The Notes will permit the Company to make share repurchases of up to \$100,000 with the net proceeds of the Notes and other available funds and to make restricted payments, such as purchasing shares of its stock and paying cash dividends, in an unlimited amount if, after giving pro forma effect to the incurrence of any indebtedness to make such payment, the Company's consolidated total debt ratio (“Net Debt Ratio”) is less than 2.25 to 1.00. The Net Debt Ratio is defined generally in the indenture governing the Notes (the “Indenture”) as the ratio of (1) the total consolidated debt of the Company minus cash and cash equivalents of the Company to (2) the Company’s consolidated trailing twelve months EBITDA, as adjusted to exclude certain non-recurring expenses and giving pro forma effect to operations acquired during the measurement period.

The Company may redeem the Notes at any time on or after June 1, 2020, at the redemption prices set forth in the Indenture, plus accrued and unpaid interest, if any. In addition, prior to June 1, 2020, the Company may redeem some or all of the Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus a “make-whole” premium set forth in the Indenture. The Company may redeem up to 35% of the Notes prior to June 1, 2020, with the proceeds of certain equity offerings at a redemption price of 105.375% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any. In addition, upon a change of control, noteholders have the right to require the Company to purchase the Notes at a price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest, if any.

During the three months ended June 30, 2017, the Company repurchased through a tender offer, or otherwise redeemed, all outstanding 2021 Notes. As a result, the Company recognized a loss on extinguishment of debt of \$14,094, which includes the tender or redemption premiums paid over the outstanding \$200,000 principal amount of the 2021 Notes and other reacquisition costs of \$10,875 and the write off of unamortized debt issuance costs of \$3,219.

### Revolving Credit Facilities

At June 30, 2017, the Company maintained a line of credit with a group of U.S. based commercial lenders (the “2016 Credit Facility”) in the amount of \$400,000. In May 2017, the term of the 2016 Credit Facility was extended through September 2, 2022. The calculation of the fixed charge coverage ratio was also amended to remove share repurchases from the calculation to provide greater flexibility for making future share repurchases and paying cash dividends.

At June 30, 2017, the Company had \$97,000 in outstanding borrowings and a \$4,456 outstanding letter of credit under the 2016 Credit Facility, leaving \$298,544 available for future borrowings. The 2016 Credit Facility bears interest, at the Company’s option, at either (i) the prevailing London Interbank Offered Rate (“LIBOR”) (with interest periods of 1

week or 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 agreement has a LIBOR floor of 0%. Additionally, the Company is required to pay an annual commitment fee of 0.50% on the average daily unused portion of the 2016 Credit Facility commitment. The weighted-average interest rate on amounts outstanding under the 2016 Credit Facility at June 30, 2017 was 3.73% based on 1 week LIBOR. Under the terms of the 2016 Credit Facility, the Company is required to maintain certain financial ratios and comply with certain financial covenants. The 2016 Credit Facility also contains customary restrictions on the Company's ability to incur additional debt, grant liens, make investments, consummate acquisitions and similar negative covenants with customary carve-outs and baskets. The Company was in compliance with the requirements and covenants of the 2016 Credit Facility as of June 30, 2017. During the six months ended June 30, 2017, the Company made net payments of \$163,000 pursuant to the 2016 Credit Facility.

Table of Contents

At June 30, 2017, the Company maintained a U.S. dollar denominated line of credit with a bank in Mexico (the “Mexico Credit Facility”) in the amount of \$10,000. The Mexico Credit Facility bears interest at 30-day LIBOR 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 June 30, 2017. The Company is required to pay a one-time commitment fee of \$25 due when the first amount is drawn/borrowed. At June 30, 2017, the Company had no amount outstanding under the Mexico Credit Facility and \$10,000 was available for borrowings.

## Note 4 - 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.

## Recurring Fair Value Measurements

Prior to the Merger, Cash America had a nonqualified savings plan that was available to certain members of its management. Upon completion of the Merger, the nonqualified savings plan was terminated and during the three months ended March 31, 2017, the Company dissolved the plan and distributed the remaining assets to the participants.

As of December 31, 2016, the assets included marketable equity securities, which were classified as Level 1 and the fair values were based on quoted market prices. The nonqualified savings plan assets were included in prepaid expenses and other current assets in the accompanying condensed consolidated balance sheet with an offsetting liability of equal amount, which is included in accounts payable and accrued expenses in the accompanying condensed consolidated balance sheet.

The Company’s financial assets that are measured at fair value on a recurring basis as of December 31, 2016 were as follows:

|   | December 31,<br>2016 | Fair Value<br>Measurements Using |         |         |
|---|----------------------|----------------------------------|---------|---------|
|   |                      | Level 1                          | Level 2 | Level 3 |
| Financial assets:                                     |                      |                                  |         |         |
| Cash America nonqualified savings plan-related assets | \$ 12,663            | \$ 12,663                        | \$ —    | —       |
|   | \$ 12,663            | \$ 12,663                        | \$ —    | —       |

## Fair Value Measurements on a Nonrecurring Basis

The Company measures non-financial assets and liabilities such as property and equipment and intangible assets at fair value on a nonrecurring basis or when events or circumstances indicate that the carrying amount of the assets may be impaired.

Financial Assets and Liabilities Not Measured at Fair Value

The Company's financial assets and liabilities as of June 30, 2017, 2016 and December 31, 2016 that are not measured at fair value in the condensed consolidated balance sheets are as follows:

10

---

Table of Contents

|   | Carrying     | Estimated Fair Value    |          |           |           |
|---|--------------|-------------------------|----------|-----------|-----------|
|   | Value        | Fair Value Measurements |          |           |           |
|   | June 30,     | June 30,                | Using    |           |           |
| 2017  | 2017         | Level 1                 | Level 2  | Level 3   |           |
| Financial assets:                             |              |                         |          |           |           |
| Cash and cash equivalents                     | \$91,434     | \$91,434                | \$91,434 | \$—       | \$—       |
| Pawn loans                                    | 353,399      | 353,399                 | —        | —         | 353,399   |
| Consumer loans, net                           | 24,192       | 24,192                  | —        | —         | 24,192    |
| Fees and service charges receivable           | 42,810       | 42,810                  | —        | —         | 42,810    |
|   | \$511,835    | \$511,835               | \$91,434 | \$—       | \$420,401 |
| Financial liabilities:                        |              |                         |          |           |           |
| Revolving unsecured credit facilities         | \$97,000     | \$97,000                | \$—      | \$97,000  | \$—       |
| Senior unsecured notes, outstanding principal | 300,000      | 312,000                 | —        | 312,000   | —         |
|   | \$397,000    | \$409,000               | \$—      | \$409,000 | \$—       |
|   |              |                         |          |           |           |
|   | Carrying     | Estimated Fair Value    |          |           |           |
|   | Value        | Fair Value Measurements |          |           |           |
|   | June 30,     | June 30,                | Using    |           |           |
| 2016  | 2016         | Level 1                 | Level 2  | Level 3   |           |
| Financial assets:                             |              |                         |          |           |           |
| Cash and cash equivalents                     | \$46,274     | \$46,274                | \$46,274 | \$—       | \$—       |
| Pawn loans                                    | 134,658      | 134,658                 | —        | —         | 134,658   |
| Consumer loans, net                           | 1,060        | 1,060                   | —        | —         | 1,060     |
| Fees and service charges receivable           | 18,259       | 18,259                  | —        | —         | 18,259    |
|   | \$200,251    | \$200,251               | \$46,274 | \$—       | \$153,977 |
| Financial liabilities:                        |              |                         |          |           |           |
| Revolving unsecured credit facilities         | \$50,500     | \$50,500                | \$—      | \$50,500  | \$—       |
| Senior unsecured notes, outstanding principal | 200,000      | 202,000                 | —        | 202,000   | —         |
|   | \$250,500    | \$252,500               | \$—      | \$252,500 | \$—       |
|   |              |                         |          |           |           |
|   | Carrying     | Estimated Fair Value    |          |           |           |
|   | Value        | Fair Value Measurements |          |           |           |
|   | December 31, | December 31,            | Using    |           |           |
| 2016  | 2016         | Level 1                 | Level 2  | Level 3   |           |
| Financial assets:                             |              |                         |          |           |           |
| Cash and cash equivalents                     | \$ 89,955    | \$89,955                | \$89,955 | \$—       | \$—       |
| Pawn loans                                    | 350,506      | 350,506                 | —        | —         | 350,506   |
| Consumer loans, net                           | 29,204       | 29,204                  | —        | —         | 29,204    |
| Fees and service charges receivable           | 41,013       | 41,013                  | —        | —         | 41,013    |
|   | \$ 510,678   | \$510,678               | \$89,955 | \$—       | \$420,723 |
| Financial liabilities:                        |              |                         |          |           |           |
| Revolving unsecured credit facilities         | \$ 260,000   | \$260,000               | \$—      | \$260,000 | \$—       |
| Senior unsecured notes, outstanding principal | 200,000      | 208,000                 | —        | 208,000   | —         |

Edgar Filing: FIRSTCASH, INC - Form 10-Q

\$ 460,000    \$468,000 \$—    \$468,000 \$—

Table of Contents

As cash and cash equivalents have maturities of less than three months, the carrying value of cash and cash equivalents approximates fair value. Due to their short-term maturities, the carrying value of pawn loans and loan fees and service charges receivable approximate fair value. Short-term loans and installment loans, collectively, represent consumer loans, net on the accompanying condensed consolidated balance sheets and are carried net of the allowance for estimated loan losses, which is calculated by applying historical loss rates combined with recent default trends to the gross consumer loan balance. The unobservable inputs used to calculate the fair value of these loans include historical loss rates, recent default trends and estimated remaining loan terms; therefore, the carrying value approximates the fair value.

The carrying value of the Company's prior credit facilities approximates fair value as of June 30, 2016. The carrying value of the Company's current credit facilities (the 2016 Credit Facility and the Mexico Credit Facility) approximates fair value as of June 30, 2017 and December 31, 2016. The fair value of the senior unsecured notes 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. Changes in assumptions or estimation methodologies may have a material effect on these estimated fair values.

## Note 5 - Segment Information

The Company organizes its operations into two reportable segments as follows:

U.S. operations - Includes all pawn and consumer loan operations in the U.S.

Latin America operations - Includes all pawn and consumer loan operations in Latin America, which currently includes operations in Mexico, Guatemala and El Salvador

The following tables present reportable segment information for the three and six month periods ended June 30, 2017 and 2016:

|  | Three Months Ended June 30, 2017 |                                |           |              |
|--|----------------------------------|--------------------------------|-----------|--------------|
|  | U.S.<br>Operations               | Latin<br>America<br>Operations | Corporate | Consolidated |
| Revenue:   |                                  |                                |           |              |
| Retail merchandise sales                         | \$ 164,852                       | \$ 78,970                      | \$—       | \$ 243,822   |
| Pawn loan fees                                   | 90,254                           | 32,378                         | —         | 122,632      |
| Consumer loan and credit services fees           | 18,085                           | 444                            | —         | 18,529       |
| Wholesale scrap jewelry sales                    | 26,136                           | 5,510                          | —         | 31,646       |
| Total revenue                                    | 299,327                          | 117,302                        | —         | 416,629      |
| Cost of revenue:                                 |                                  |                                |           |              |
| Cost of retail merchandise sold                  | 106,731                          | 49,742                         | —         | 156,473      |
| Consumer loan and credit services loss provision | 5,057                            | 85                             | —         | 5,142        |
| Cost of wholesale scrap jewelry sold             | 25,400                           | 5,190                          | —         | 30,590       |
| Total cost of revenue                            | 137,188                          | 55,017                         | —         | 192,205      |
| Net revenue                                      | 162,139                          | 62,285                         | —         | 224,424      |
| Expenses and other income:                       |                                  |                                |           |              |
| Store operating expenses                         | 105,521                          | 31,549                         | —         | 137,070      |
| Administrative expenses                          | —                                | —                              | 30,305    | 30,305       |



Edgar Filing: FIRSTCASH, INC - Form 10-Q

|                                       |          |           |            |           |
|---------------------------------------|----------|-----------|------------|-----------|
| Depreciation and amortization         | 6,421    | 2,622     | 5,646      | 14,689    |
| Interest expense                      | —        | —         | 5,585      | 5,585     |
| Interest income                       | —        | —         | (393)      | (393)     |
| Merger and other acquisition expenses | —        | —         | 1,606      | 1,606     |
| Loss on extinguishment of debt        | —        | —         | 14,094     | 14,094    |
| Total expenses and other income       | 111,942  | 34,171    | 56,843     | 202,956   |
| Income before income taxes            | \$50,197 | \$ 28,114 | \$(56,843) | \$ 21,468 |

12

---

Table of Contents

|  | Three Months Ended June 30, 2016 |                                |            |              |
|--|----------------------------------|--------------------------------|------------|--------------|
|  | U.S.<br>Operations               | Latin<br>America<br>Operations | Corporate  | Consolidated |
| Revenue:   |                                  |                                |            |              |
| Retail merchandise sales                         | \$47,065                         | \$ 68,478                      | \$—        | \$ 115,543   |
| Pawn loan fees                                   | 21,844                           | 30,034                         | —          | 51,878       |
| Consumer loan and credit services fees           | 4,419                            | 497                            | —          | 4,916        |
| Wholesale scrap jewelry sales                    | 6,070                            | 3,572                          | —          | 9,642        |
| Total revenue                                    | 79,398                           | 102,581                        | —          | 181,979      |
| Cost of revenue:                                 |                                  |                                |            |              |
| Cost of retail merchandise sold                  | 29,043                           | 42,302                         | —          | 71,345       |
| Consumer loan and credit services loss provision | 1,198                            | 122                            | —          | 1,320        |
| Cost of wholesale scrap jewelry sold             | 5,097                            | 2,756                          | —          | 7,853        |
| Total cost of revenue                            | 35,338                           | 45,180                         | —          | 80,518       |
| Net revenue                                      | 44,060                           | 57,401                         | —          | 101,461      |
| Expenses and other income:                       |                                  |                                |            |              |
| Store operating expenses                         | 26,847                           | 27,731                         | —          | 54,578       |
| Administrative expenses                          | —                                | —                              | 16,509     | 16,509       |
| Depreciation and amortization                    | 1,423                            | 2,667                          | 857        | 4,947        |
| Interest expense                                 | —                                | —                              | 4,326      | 4,326        |
| Interest income                                  | —                                | —                              | (224       | ) (224       |
| Merger and other acquisition expenses            | —                                | —                              | 4,079      | 4,079        |
| Total expenses and other income                  | 28,270                           | 30,398                         | 25,547     | 84,215       |
| Income before income taxes                       | \$15,790                         | \$ 27,003                      | \$(25,547) | \$ 17,246    |

Table of Contents

|  | Six Months Ended June 30, 2017 |                                |             |              |
|--|--------------------------------|--------------------------------|-------------|--------------|
|  | U.S.<br>Operations             | Latin<br>America<br>Operations | Corporate   | Consolidated |
| Revenue:   |                                |                                |             |              |
| Retail merchandise sales                         | \$358,518                      | \$145,298                      | \$—         | \$503,816    |
| Pawn loan fees                                   | 192,072                        | 58,811                         | —           | 250,883      |
| Consumer loan and credit services fees           | 38,900                         | 849                            | —           | 39,749       |
| Wholesale scrap jewelry sales                    | 59,033                         | 10,724                         | —           | 69,757       |
| Total revenue                                    | 648,523                        | 215,682                        | —           | 864,205      |
| Cost of revenue:                                 |                                |                                |             |              |
| Cost of retail merchandise sold                  | 230,228                        | 91,880                         | —           | 322,108      |
| Consumer loan and credit services loss provision | 9,047                          | 187                            | —           | 9,234        |
| Cost of wholesale scrap jewelry sold             | 56,082                         | 9,457                          | —           | 65,539       |
| Total cost of revenue                            | 295,357                        | 101,524                        | —           | 396,881      |
| Net revenue                                      | 353,166                        | 114,158                        | —           | 467,324      |
| Expenses and other income:                       |                                |                                |             |              |
| Store operating expenses                         | 213,489                        | 60,325                         | —           | 273,814      |
| Administrative expenses                          | —                              | —                              | 63,543      | 63,543       |
| Depreciation and amortization                    | 12,840                         | 5,019                          | 11,073      | 28,932       |
| Interest expense                                 | —                              | —                              | 11,698      | 11,698       |
| Interest income                                  | —                              | —                              | (720)       | (720)        |
| Merger and other acquisition expenses            | —                              | —                              | 2,253       | 2,253        |
| Loss on extinguishment of debt                   | —                              | —                              | 14,094      | 14,094       |
| Total expenses and other income                  | 226,329                        | 65,344                         | 101,941     | 393,614      |
| Income before income taxes                       | \$126,837                      | \$48,814                       | \$(101,941) | \$73,710     |

Table of Contents

|  | Six Months Ended June 30, 2016 |                                |            |              |
|--|--------------------------------|--------------------------------|------------|--------------|
|  | U.S.<br>Operations             | Latin<br>America<br>Operations | Corporate  | Consolidated |
| Revenue:   |                                |                                |            |              |
| Retail merchandise sales                         | \$102,126                      | \$132,193                      | \$—        | \$234,319    |
| Pawn loan fees                                   | 46,089                         | 57,222                         | —          | 103,311      |
| Consumer loan and credit services fees           | 9,628                          | 974                            | —          | 10,602       |
| Wholesale scrap jewelry sales                    | 10,864                         | 6,086                          | —          | 16,950       |
| Total revenue                                    | 168,707                        | 196,475                        | —          | 365,182      |
| Cost of revenue:                                 |                                |                                |            |              |
| Cost of retail merchandise sold                  | 62,710                         | 83,057                         | —          | 145,767      |
| Consumer loan and credit services loss provision | 2,105                          | 262                            | —          | 2,367        |
| Cost of wholesale scrap jewelry sold             | 8,959                          | 4,765                          | —          | 13,724       |
| Total cost of revenue                            | 73,774                         | 88,084                         | —          | 161,858      |
| Net revenue                                      | 94,933                         | 108,391                        | —          | 203,324      |
| Expenses and other income:                       |                                |                                |            |              |
| Store operating expenses                         | 54,716                         | 55,273                         | —          | 109,989      |
| Administrative expenses                          | —                              | —                              | 33,777     | 33,777       |
| Depreciation and amortization                    | 2,921                          | 5,317                          | 1,646      | 9,884        |
| Interest expense                                 | —                              | —                              | 8,786      | 8,786        |
| Interest income                                  | —                              | —                              | (498)      | (498)        |
| Merger and other acquisition expenses            | —                              | —                              | 4,479      | 4,479        |
| Total expenses and other income                  | 57,637                         | 60,590                         | 48,190     | 166,417      |
| Income before income taxes                       | \$37,296                       | \$47,801                       | \$(48,190) | \$36,907     |

Table of Contents

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 FirstCash, 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 the audited consolidated financial statements and accompanying notes and 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, 2016. References in this quarterly report on Form 10-Q to "year-to-date" refer to the six-month period from January 1, 2017 to June 30, 2017.

On September 1, 2016, the Company completed its merger with Cash America International, Inc. ("Cash America"), whereby Cash America merged with and into a wholly owned subsidiary of the Company (the "Merger"). The accompanying unaudited condensed consolidated results of operations for the three month and six month periods ended June 30, 2017 include the results of operations for Cash America, affecting comparability of 2017 and 2016 amounts. The Company has performed a valuation analysis of identifiable assets acquired and liabilities assumed and allocated the aggregate Merger consideration based on the fair values of those identifiable assets and liabilities. The purchase price allocation is subject to change as the Company finalizes the analysis of the fair value at the date of the Merger. The final determination of the fair value of assets acquired and liabilities assumed will be completed within the twelve month measurement period from the date of the Merger as required by applicable accounting guidance. Due to the significance of the Merger, the Company may use all of this measurement period to adequately analyze and assess the fair values of assets acquired and liabilities assumed.

In thousands except share and per share amounts, unless otherwise indicated.

GENERAL

The Company is a leading operator of retail-based pawn stores with almost 2,100 store locations in the U.S. and Latin America. 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 stores also offer pawn loans to help customers meet small short-term cash needs. Personal property, such as consumer electronics, jewelry, power tools, household appliances, sporting goods and musical instruments, is pledged as collateral for the pawn loans and held by the Company over the life of the loan. 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 U.S. and Latin America through new store openings and strategic acquisition opportunities as they arise. Pawn operations accounted for 95% and 97% of the Company's consolidated revenue during the six month periods ended June 30, 2017 and 2016, respectively.

The Company organizes its operations into two reportable segments: the U.S. operations segment and the Latin America operations segment. The U.S. operations segment consists of all pawn and consumer loan operations in the U.S. and the Latin America operations segment consists of all pawn and consumer loan operations in Latin America, which currently includes operations in Mexico, Guatemala and El Salvador.

The Company recognizes pawn loan fee revenue on a constant-yield basis over the life of the pawn loan for all pawn loans of which 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 extension or grace 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 pawn fee revenue. 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

direct 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 and diamond 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 wholesale scrap jewelry transactions when a price has been agreed upon and the Company ships the commodity to the buyer.

Table of Contents

The Company operates a small number of stand-alone consumer finance stores in the U.S. and Mexico. These stores provide consumer financial services products including credit services, consumer loans and check cashing. In addition, 366 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 5% and 3% of consolidated revenue during the six month periods ended June 30, 2017 and 2016, respectively. The increase in consumer loan and credit services revenue as a percentage of consolidated revenue was solely the result of the Merger as the Company continues to deemphasize its consumer lending operations in light of increasing regulatory constraints on these operations.

The Company recognizes service fee income on consumer loan transactions on a constant-yield basis over the life of the loan and recognizes credit services fees ratably over the life of the extension of credit made by independent third-party lenders. Changes in the valuation reserve on consumer loans and credit services transactions are charged or credited to the consumer loan credit loss provision. The credit loss provision associated with the Company's credit services organization program and consumer loans is 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.

Stores included in the same-store calculations presented in this report are those stores that were opened or acquired prior to the beginning of the prior-year comparative period and remained open through the end of the reporting 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. Unless otherwise noted, same-store calculations exclude the results of the merged Cash America stores. Legacy Cash America same-store calculations refer to Cash America stores that were opened prior to the beginning of the prior-year comparative period (although not then owned by the Company) and remained open through the end of the reporting period.

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, collection operations and personnel, accounting and administrative costs, information technology costs, liability and casualty insurance, outside legal and accounting fees and stockholder-related expenses. Merger and other acquisition expenses primarily include incremental costs directly associated with the Merger and integration of Cash America, including professional fees, legal expenses, severance, retention and other employee-related costs, accelerated vesting of certain equity compensation awards, contract breakage costs and costs related to consolidation of technology systems and corporate facilities.

The Company's business is subject to seasonal variations and 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 and consumer 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, and to a lesser extent, in the first quarter associated with tax refunds.

Table of Contents

## OPERATIONS AND LOCATIONS

As of June 30, 2017, the Company had 2,097 store locations in 26 U.S. states, 32 states in Mexico, Guatemala and El Salvador, which represents a net store-count increase of 65% over the number of stores at June 30, 2016, primarily as a result of the Merger.

The following table details store count activity for the three months ended June 30, 2017:

|                                      | Pawn<br>Locations<br>(1) | Consumer<br>Loan<br>Locations<br>(2) | Total<br>Locations |
|--------------------------------------|--------------------------|--------------------------------------|--------------------|
| U.S.:                                |                          |                                      |                    |
| Total locations, beginning of period | 1,079                    | 45                                   | 1,124              |
| Locations closed or consolidated     | (6 )                     | (1 )                                 | (7 )               |
| Total locations, end of period       | 1,073                    | 44                                   | 1,117              |
| Latin America:                       |                          |                                      |                    |
| Total locations, beginning of period | 938                      | 28                                   | 966                |
| New locations opened                 | 10                       | —                                    | 10                 |
| Locations acquired                   | 5                        | —                                    | 5                  |
| Locations closed or consolidated     | (1 )                     | —                                    | (1 )               |
| Total locations, end of period       | 952                      | 28                                   | 980                |
| Total:                               |                          |                                      |                    |
| Total locations, beginning of period | 2,017                    | 73                                   | 2,090              |
| New locations opened                 | 10                       | —                                    | 10                 |
| Locations acquired                   | 5                        | —                                    | 5                  |
| Locations closed or consolidated     | (7 )                     | (1 )                                 | (8 )               |
| Total locations, end of period       | 2,025                    | 72                                   | 2,097              |

(1) At June 30, 2017, 317 of the U.S. pawn stores, which are primarily located in Texas and Ohio, also offered consumer loans or credit services products, while 49 Mexico pawn stores offered consumer loan products.

(2) The Company's U.S. free-standing consumer loan locations offer consumer loans and/or a credit services product and are located in Ohio, Texas, California and limited markets in Mexico. The table does not include 64 check cashing locations operated by independent franchisees under franchising agreements with the Company.



Table of Contents

The following table details store count activity for the six months ended June 30, 2017:

|                                      | Pawn<br>Locations<br>(1) | Consumer<br>Loan<br>Locations<br>(2) | Total<br>Locations |
|--------------------------------------|--------------------------|--------------------------------------|--------------------|
| U.S.:                                |                          |                                      |                    |
| Total locations, beginning of period | 1,085                    | 45                                   | 1,130              |
| New locations opened                 | 1                        | —                                    | 1                  |
| Locations acquired                   | 1                        | —                                    | 1                  |
| Locations closed or consolidated     | (14 )                    | (1 )                                 | (15 )              |
| Total locations, end of period       | 1,073                    | 44                                   | 1,117              |
| Latin America:                       |                          |                                      |                    |
| Total locations, beginning of period | 927                      | 28                                   | 955                |
| New locations opened                 | 23                       | —                                    | 23                 |
| Locations acquired                   | 5                        | —                                    | 5                  |
| Locations closed or consolidated     | (3 )                     | —                                    | (3 )               |
| Total locations, end of period       | 952                      | 28                                   | 980                |
| Total:                               |                          |                                      |                    |
| Total locations, beginning of period | 2,012                    | 73                                   | 2,085              |
| New locations opened                 | 24                       | —                                    | 24                 |
| Locations acquired                   | 6                        | —                                    | 6                  |
| Locations closed or consolidated     | (17 )                    | (1 )                                 | (18 )              |
| Total locations, end of period       | 2,025                    | 72                                   | 2,097              |

(1) At June 30, 2017, 317 of the U.S. pawn stores, which are primarily located in Texas and Ohio, also offered consumer loans or credit services products, while 49 Mexico pawn stores offer consumer loan products.

(2) The Company's U.S. free-standing consumer loan locations offer consumer loans and/or a credit services product and are located in Ohio, Texas, California and limited markets in Mexico. The table does not include 64 check cashing locations operated by independent franchisees under franchising agreements with the Company.

Table of Contents

## 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 2016 annual report on Form 10-K. There have been no changes to the Company's significant accounting policies for the six months ended June 30, 2017.

## Recent Accounting Pronouncements

See Note 1 - Significant Accounting Policies of the condensed consolidated financial statements contained in Part I, Item 1 of this report for a discussion of recent accounting pronouncements that the Company has adopted or will adopt in future periods.

## RESULTS OF CONTINUING OPERATIONS (unaudited)

## Constant Currency Results

The Company's management reviews and analyzes certain operating results in Latin America on a constant currency basis because the Company believes this better represents the Company's underlying business trends. Constant currency results are non-GAAP measures which exclude the effects of foreign currency translation and are calculated by translating current year results at prior year average exchange rates. The scrap jewelry generated in Latin America is sold and settled in U.S. dollars and is therefore not affected by foreign currency translation. A small percentage of the operating and administrative expenses in Latin America are also billed and paid in U.S. dollars which are not affected by foreign currency translation.

The following table provides exchange rates for the Mexican peso and Guatemalan quetzal for the current and prior year periods:

|   | June 30, |      | Increase<br>/ |   |
|---|----------|------|---------------|---|
|   | 2017     | 2016 | Decrease      |   |
| Mexican peso / U.S. dollar exchange rate:       |          |      |               |   |
| End-of-period                                   | 17.9     | 18.5 | 3             | % |
| Three months ended                              | 18.6     | 18.1 | (3)           | % |
| Six months ended                                | 19.5     | 18.0 | (8)           | % |
| Guatemalan quetzal / U.S. dollar exchange rate: |          |      |               |   |
| End-of-period                                   | 7.3      | 7.6  | 4             | % |
| Three months ended                              | 7.3      | 7.7  | 5             | % |
| Six months ended                                | 7.4      | 7.7  | 4             | % |

Amounts presented on a constant currency basis are denoted as such. See "—Non-GAAP Financial Information" for additional discussion of constant currency operating results.



Table of Contents

Operating Results for the Three Months Ended June 30, 2017 Compared to the Three Months Ended June 30, 2016

## U.S. Operations Segment

The following table details earning assets, which consist of pawn loans, consumer loans, net and inventories as well as other earning asset metrics of the U.S. operations segment as of June 30, 2017 as compared to June 30, 2016:

|  | Balance at June 30, |           | Increase / |
|--|---------------------|-----------|------------|
|  | 2017                | 2016      | (Decrease) |
| U.S. Operations Segment                            |                     |           |            |
| Earning assets:                                    |                     |           |            |
| Pawn loans   | \$273,823           | \$66,457  | 312 %      |
| Consumer loans, net <sup>(1)</sup>                 | 23,801              | 653       | 3,545 %    |
| Inventories  | 243,991             | 47,934    | 409 %      |
|  | \$541,615           | \$115,044 | 371 %      |
| Average outstanding pawn loan amount (in ones)     | \$148               | \$160     | (8 )%      |
| Composition of pawn collateral:                    |                     |           |            |
| General merchandise                                | 38                  | % 47      | %          |
| Jewelry  | 62                  | % 53      | %          |
|  | 100                 | % 100     | %          |
| Composition of inventories:                        |                     |           |            |
| General merchandise                                | 44                  | % 60      | %          |
| Jewelry  | 56                  | % 40      | %          |
|  | 100                 | % 100     | %          |
| Percentage of inventory aged greater than one year | 12                  | % 6       | %          |

Does not include the off-balance sheet principal portion of active CSO extensions of credit made by independent <sup>(1)</sup> third-party lenders. These amounts, net of the Company's estimated fair value of its liability for guaranteeing the extensions of credit, totaled \$9,128 and \$5,161 as of June 30, 2017 and 2016, respectively.

Table of Contents

The following table presents segment pre-tax operating income of the U.S. operations segment for the three months ended June 30, 2017 as compared to the three months ended June 30, 2016. Store operating expenses include salary and benefit expense of store-level employees, occupancy costs, bank charges, security, insurance, utilities, supplies and other costs incurred by the stores.

|  | Three Months<br>Ended<br>June 30, |          |          |
|--|-----------------------------------|----------|----------|
|  | 2017                              | 2016     | Increase |
| U.S. Operations Segment                          |                                   |          |          |
| Revenue:   |                                   |          |          |
| Retail merchandise sales                         | \$164,852                         | \$47,065 | 250 %    |
| Pawn loan fees                                   | 90,254                            | 21,844   | 313 %    |
| Consumer loan and credit services fees           | 18,085                            | 4,419    | 309 %    |
| Wholesale scrap jewelry sales                    | 26,136                            | 6,070    | 331 %    |
| Total revenue                                    | 299,327                           | 79,398   | 277 %    |
| Cost of revenue:                                 |                                   |          |          |
| Cost of retail merchandise sold                  | 106,731                           | 29,043   | 267 %    |
| Consumer loan and credit services loss provision | 5,057                             | 1,198    | 322 %    |
| Cost of wholesale scrap jewelry sold             | 25,400                            | 5,097    | 398 %    |
| Total cost of revenue                            | 137,188                           | 35,338   | 288 %    |
| Net revenue                                      | 162,139                           | 44,060   | 268 %    |
| Segment expenses:                                |                                   |          |          |
| Store operating expenses                         | 105,521                           | 26,847   | 293 %    |
| Depreciation and amortization                    | 6,421                             | 1,423    | 351 %    |
| Total segment expenses                           | 111,942                           | 28,270   | 296 %    |
| Segment pre-tax operating income                 | \$50,197                          | \$15,790 | 218 %    |

## Retail Merchandise Sales Operations

U.S. retail merchandise sales increased 250% to \$164,852 during the second quarter of 2017 compared to \$47,065 for the second quarter of 2016. The increase was primarily due to the inclusion of Cash America's results for the second quarter of 2017 as a result of the Merger ("Cash America Results"), which accounted for 100% of the increase in retail merchandise sales. During the second quarter of 2017, the gross profit margin on retail merchandise sales in the U.S. was 35% compared to a margin of 38% during the second quarter of 2016, reflecting the impact of historically lower margins in the Cash America stores.

U.S. inventories increased 409% from \$47,934 at June 30, 2016 to \$243,991 at June 30, 2017. The increase was due to the inclusion of \$196,639 of Cash America inventories partially offset by a 1% decline in legacy First Cash store inventories. Included in the Cash America inventory balance as of June 30, 2017 was \$5,215 of scrap jewelry inventories in transit or held in processing locations. The shift in the composition of pawn inventories from general merchandise to jewelry was primarily due to the Cash America stores carrying a greater percentage of jewelry merchandise compared to legacy First Cash stores. The increase in inventory aged greater than one year was primarily due to the inclusion of the Cash America stores, which have historically carried higher aged balances than legacy First Cash stores, partially offset by a decrease in aged inventory at legacy First Cash stores.



Table of Contents

## Pawn Lending Operations

U.S. pawn loan fees increased 313% totaling \$90,254 during the second quarter of 2017 compared to \$21,844 for the second quarter of 2016. Pawn loan receivables in the U.S. as of June 30, 2017 increased 312% compared to June 30, 2016. The increase in pawn loan fees and pawn loan receivables was due to the inclusion of the Cash America Results following the Merger, which accounted for 99% of the pawn fee and pawn receivable increases. Legacy First Cash same-store pawn receivables increased 3% while legacy Cash America same-store pawn receivables decreased 13% as of June 30, 2017 compared to June 30, 2016. Legacy First Cash same-store pawn loan fees increased 5% while legacy Cash America same-store pawn loan fees decreased 11% in the second quarter of 2017 compared to the second quarter of 2016. The decline in legacy Cash America same-store pawn receivables and pawn loan fees was primarily due to the expected impact of reducing the holding period on delinquent pawn loans, reducing loan values on general merchandise loans and a reduction in traffic and volume patterns in many of the Cash America stores. The shift in the composition of pawn receivables from general merchandise to jewelry was primarily due to the Cash America stores, which have historically carried a higher percentage of jewelry loans than legacy First Cash stores.

## Consumer Lending Operations

Service fees from U.S. consumer loans and credit services transactions (collectively, consumer lending operations) increased 309% to \$18,085 during the second quarter of 2017 compared to \$4,419 for the second quarter of 2016. The increase in fees was due to the inclusion of the Cash America Results following the Merger. Excluding the Cash America Results, consumer loan and credit services fees decreased 29% as the Company continues to deemphasize consumer lending operations in light of increasing regulatory constraints. Revenues from consumer lending operations comprised 6% of total U.S. revenue during the second quarter of 2017 and 2016.

## Wholesale Scrap Jewelry Operations

U.S. wholesale scrap jewelry revenue during the second quarter of 2017 consisted primarily of gold sales, which increased 331% to \$26,136 during the second quarter of 2017 compared to \$6,070 during the second quarter of 2016. The increase in wholesale scrap jewelry revenue was primarily due to the inclusion of the Cash America Results following the Merger, which accounted for 117% of the increase in wholesale scrap jewelry revenue. The scrap gross profit margin in the U.S. was 3% compared to the prior-year margin of 16%, primarily as a result of the typically higher cost basis in scrap jewelry sold by the Cash America stores. Scrap jewelry profits accounted for less than 1% of U.S. net revenue (gross profit) for the second quarter of 2017 compared to 2% in the second quarter of 2016.

## Store Operating Expenses and Segment Pre-Tax Operating Income

U.S. store operating expenses increased 293% to \$105,521 during the second quarter of 2017 compared to \$26,847 during the second quarter of 2016, primarily as a result of the Merger. Same-store operating expenses increased 2% and decreased 2% in the legacy First Cash and Cash America stores, respectively, compared with the prior-year period.

The U.S. segment pre-tax operating income for the second quarter of 2017 was \$50,197, which generated a pre-tax segment operating margin of 17% compared to \$15,790 and 20% in the prior year, respectively. The decline in the segment pre-tax operating margin was primarily due to historically lower operating margins in the Cash America stores.

## Depreciation and Amortization

U.S. store depreciation and amortization increased 351% to \$6,421 during the second quarter of 2017 compared to \$1,423 during the second quarter of 2016, primarily as a result of the Merger.



Table of Contents

## Latin America Operations Segment

The following table details earning assets, which consist of pawn loans, consumer loans, net and inventories as well as other earning asset metrics of the Latin America operations segment as of June 30, 2017 as compared to June 30, 2016:

|  | Balance at June 30, |           | Increase / |            | Constant Currency |            |  |
|--|---------------------|-----------|------------|------------|-------------------|------------|--|
|  | 2017                | 2016      | (Decrease) | 2017       | (Decrease)        | Basis      |  |
|  |                     |           |            | (Non-GAAP) | (Non-GAAP)        | Balance    |  |
|  |                     |           |            |            |                   | at         |  |
|  |                     |           |            |            |                   | June 30,   |  |
|  |                     |           |            |            |                   | Increase / |  |
|  |                     |           |            |            |                   | (Decrease) |  |
|  |                     |           |            |            |                   | (Non-GAAP) |  |
| Latin America Operations Segment                   |                     |           |            |            |                   |            |  |
| Earning assets:                                    |                     |           |            |            |                   |            |  |
| Pawn loans   | \$79,576            | \$68,201  | 17 %       | \$77,146   | 13 %              |            |  |
| Consumer loans, net                                | 391                 | 407       | (4 )%      | 379        | (7 )%             |            |  |
| Inventories  | 57,370              | 43,927    | 31 %       | 55,610     | 27 %              |            |  |
|  | \$137,337           | \$112,535 | 22 %       | \$133,135  | 18 %              |            |  |
| Average outstanding pawn loan amount (in ones)     | \$66                | \$62      | 6 %        | \$64       | 3 %               |            |  |
| Composition of pawn collateral:                    |                     |           |            |            |                   |            |  |
| General merchandise                                | 81                  | % 82      | %          |            |                   |            |  |
| Jewelry  | 19                  | % 18      | %          |            |                   |            |  |
|  | 100                 | % 100     | %          |            |                   |            |  |
| Composition of inventories:                        |                     |           |            |            |                   |            |  |
| General merchandise                                | 74                  | % 80      | %          |            |                   |            |  |
| Jewelry  | 26                  | % 20      | %          |            |                   |            |  |
|  | 100                 | % 100     | %          |            |                   |            |  |
| Percentage of inventory aged greater than one year | 1                   | % 1       | %          |            |                   |            |  |

Table of Contents

The following table presents segment pre-tax operating income of the Latin America operations segment for the three months ended June 30, 2017 as compared to the three months ended June 30, 2016. Store operating expenses include salary and benefit expense of store-level employees, occupancy costs, bank charges, security, insurance, utilities, supplies and other costs incurred by the stores.

|  | Three Months Ended |          | Increase / (Decrease) |            | Constant Currency Basis Three Months Ended |            | June 30, Increase / (Decrease) |            |
|--|--------------------|----------|-----------------------|------------|--|------------|--------------------------------|------------|
|  | 2017               | 2016     | (Decrease)            | (Non-GAAP) | (Non-GAAP)                                 | (Non-GAAP) | (Non-GAAP)                     | (Non-GAAP) |
| <b>Latin America Operations Segment</b>          |                    |          |                       |            |  |            |                                |            |
| <b>Revenue:</b>                                  |                    |          |                       |            |  |            |                                |            |
| Retail merchandise sales                         | \$78,970           | \$68,478 | 15 %                  | %          | \$81,129                                   | 18 %       | %                              | %          |
| Pawn loan fees                                   | 32,378             | 30,034   | 8 %                   | %          | 33,245                                     | 11 %       | %                              | %          |
| Consumer loan and credit services fees           | 444                | 497      | (11 )%                | %          | 457  | (8 )%      | %                              | %          |
| Wholesale scrap jewelry sales                    | 5,510              | 3,572    | 54 %                  | %          | 5,510                                      | 54 %       | %                              | %          |
| Total revenue                                    | 117,302            | 102,581  | 14 %                  | %          | 120,341                                    | 17 %       | %                              | %          |
| <b>Cost of revenue:</b>                          |                    |          |                       |            |  |            |                                |            |
| Cost of retail merchandise sold                  | 49,742             | 42,302   | 18 %                  | %          | 51,084                                     | 21 %       | %                              | %          |
| Consumer loan and credit services loss provision | 85                 | 122      | (30 )%                | %          | 88   | (28 )%     | %                              | %          |
| Cost of wholesale scrap jewelry sold             | 5,190              | 2,756    | 88 %                  | %          | 5,298                                      | 92 %       | %                              | %          |
| Total cost of revenue                            | 55,017             | 45,180   | 22 %                  | %          | 56,470                                     | 25 %       | %                              | %          |
| Net revenue                                      | 62,285             | 57,401   | 9 %                   | %          | 63,871                                     | 11 %       | %                              | %          |
| <b>Segment expenses:</b>                         |                    |          |                       |            |  |            |                                |            |
| Store operating expenses                         | 31,549             | 27,731   | 14 %                  | %          | 32,308                                     | 17 %       | %                              | %          |
| Depreciation and amortization                    | 2,622              | 2,667    | (2 )%                 | %          | 2,686                                      | 1 %        | %                              | %          |
| Total segment expenses                           | 34,171             | 30,398   | 12 %                  | %          | 34,994                                     | 15 %       | %                              | %          |
| Segment pre-tax operating income                 | \$28,114           | \$27,003 | 4 %                   | %          | \$28,877                                   | 7 %        | %                              | %          |

**Retail Merchandise Sales Operations**

Latin America retail merchandise sales increased 15% (18% on a constant currency basis) to \$78,970 during the second quarter of 2017 compared to \$68,478 for the second quarter of 2016. The increase was primarily due to a 13% increase (16% on a constant currency basis) in same-store retail sales. The gross profit margin on retail merchandise sales was 37% during the second quarter of 2017 compared to 38% during the second quarter of 2016.

Inventories in Latin America increased 31% (27% on a constant currency basis) from \$43,927 at June 30, 2016 to \$57,370 at June 30, 2017. Increased inventory levels in the Maxi Prenda stores acquired in the fourth quarter of 2015 and first quarter of 2016 (“Maxi Prenda Acquisition”), which historically carried lower inventory balances than the typical First Cash store, accounted for 38% of the increase with growth from new store openings and the maturation of existing stores accounting for the remainder of the increase.



Table of Contents

## Pawn Lending Operations

Pawn loan fees in Latin America increased 8% (11% on a constant currency basis) totaling \$32,378 during the second quarter of 2017 compared to \$30,034 for the second quarter of 2016 primarily as a result of the 17% (13% on a constant currency basis) increase in pawn loan receivables as of June 30, 2017 compared to June 30, 2016. The increase in pawn receivables reflects a same-store pawn receivable increase of 14% (11% on a constant currency basis) and new store additions.

## Store Operating Expenses and Segment Pre-Tax Operating Income

Store operating expenses increased 14% (17% on a constant currency basis) to \$31,549 during the second quarter of 2017 compared to \$27,731 during the second quarter of 2016, primarily as a result of store additions and the Maxi Prenda Acquisition. Same-store operating expenses increased 5% (8% on a constant currency basis) compared to the prior-year period primarily due to the Maxi Prenda Acquisition.

The segment pre-tax operating income for the second quarter of 2017 was \$28,114, which generated a pre-tax segment operating margin of 24% compared to \$27,003 and 26% in the prior year, respectively.

## Consolidated Results of Operations

The following table reconciles pre-tax operating income of the Company's U.S. operations segment and Latin America operations segment discussed above to consolidated net income for the three months ended June 30, 2017 as compared to the three months ended June 30, 2016:

|   | Three Months Ended |               |                       |   |
|---|--------------------|---------------|-----------------------|---|
|   | June 30, 2017      | June 30, 2016 | Increase / (Decrease) |   |
| <b>Consolidated Results of Operations</b>                 |                    |               |                       |   |
| U.S. operations segment pre-tax operating income          | \$50,197           | \$15,790      | 218                   | % |
| Latin America operations segment pre-tax operating income | 28,114             | 27,003        | 4                     | % |
| Consolidated segment pre-tax operating income             | 78,311             | 42,793        | 83                    | % |
| <b>Corporate expenses and other income:</b>               |                    |               |                       |   |
| Administrative expenses                                   | 30,305             | 16,509        | 84                    | % |
| Depreciation and amortization                             | 5,646              | 857           | 559                   | % |
| Interest expense  | 5,585              | 4,326         | 29                    | % |
| Interest income   | (393)              | (224)         | 75                    | % |
| Merger and other acquisition expenses                     | 1,606              | 4,079         | (61)                  | % |
| Loss on extinguishment of debt                            | 14,094             | —             | —                     | % |
| Total corporate expenses and other income                 | 56,843             | 25,547        | 123                   | % |
| Income before income taxes                                | 21,468             | 17,246        | 24                    | % |
| Provision for income taxes                                | 6,229              | 5,573         | 12                    | % |
| Net income  | \$15,239           | \$11,673      | 31                    | % |
| Comprehensive income (loss)                               | \$28,576           | \$(2,541)     | 1,225                 | % |



Table of Contents

## Corporate Expenses and Taxes

Administrative expenses increased 84% to \$30,305 during the second quarter of 2017 compared to \$16,509 during the second quarter of 2016, primarily as a result of the Merger and a 64% increase in the weighted-average store count resulting in additional management and supervisory compensation and other support expenses required for such growth, partially offset by a 3% decline in the average value of the Mexican peso, which reduced comparative administrative expenses in Mexico. As a percentage of revenue, administrative expenses decreased from 9% during the second quarter of 2016 to 7% during the second quarter of 2017, primarily due to synergies realized from the Merger and the Maxi Prenda Acquisition.

Depreciation and amortization increased to \$5,646 during the second quarter of 2017 compared to \$857 during the second quarter of 2016 primarily due to the assumption of substantial corporate property and equipment from the Merger and \$2,557 in amortization expense related to intangible assets acquired as a result of the Merger.

Interest expense increased to \$5,585 in the second quarter of 2017 compared to \$4,326 for the second quarter of 2016. See “—Liquidity and Capital Resources.”

Merger and other acquisition expenses decreased to \$1,606 during the second quarter of 2017 compared to \$4,079 during the second quarter of 2016, reflecting timing in transaction and integration costs primarily related to the Merger. See “—Non-GAAP Financial Information” for additional details of Merger related expenses.

During the second quarter of 2017, the Company repurchased through a tender offer, or otherwise redeemed, its outstanding \$200,000, 6.75% senior notes due 2021 incurring a loss on extinguishment of debt of \$14,094.

For the second quarter of 2017 and 2016, the Company’s effective federal income tax rates were 29.0% and 32.3%, respectively. The decrease in the effective tax rate was primarily due to the tax impact of the loss on extinguishment of debt and certain other foreign tax benefits resulting from changes in foreign tax estimates made during the second quarter of 2017.

## Net Income, Adjusted Net Income, Net Income Per Share and Adjusted Net Income Per Share

The following table sets forth revenue, net revenue, net income, net income per share, adjusted net income and adjusted net income per share for the second quarter of 2017 compared to the second quarter of 2016:

|                             | Three Months Ended June 30, |                        |                          |                        |
|-----------------------------|-----------------------------|------------------------|--------------------------|------------------------|
|                             | 2017                        |                        | 2016                     |                        |
|                             | As<br>Reported<br>(GAAP)    | Adjusted<br>(Non-GAAP) | As<br>Reported<br>(GAAP) | Adjusted<br>(Non-GAAP) |
| Revenue                     | \$416,629                   | \$ 416,629             | \$181,979                | \$ 181,979             |
| Net revenue                 | \$224,424                   | \$ 224,424             | \$101,461                | \$ 101,461             |
| Net income                  | \$15,239                    | \$ 25,130              | \$11,673                 | \$ 14,324              |
| Diluted earnings per share  | \$0.32                      | \$ 0.52                | \$0.41                   | \$ 0.51                |
| Weighted avg diluted shares | 48,289                      | 48,289                 | 28,243                   | 28,243                 |

As reported (GAAP) net income and adjusted net income for the quarter ended June 30, 2017 increased 31% and 75%, respectively, compared to the prior-year period. As reported (GAAP) earnings per share decreased 22% due primarily to Merger and debt extinguishment costs. Excluding these non-operating costs, adjusted earnings per share increased 2% reflecting growth in net income that was offset by the 71% increase in the weighted average diluted shares

outstanding due to the Merger and the 3% decline in the average value of the Mexican peso compared to the second quarter of 2016.

Adjusted net income removes certain items from GAAP net income that the Company does not consider to be representative of its actual operating performance, such as Merger and other acquisition expenses and loss on extinguishment of debt, but does not adjust for the effects of foreign currency rate fluctuations. See “—Non-GAAP Financial Information—Adjusted Net Income and Adjusted Net Income Per Share” below.

Table of Contents

## Operating Results for the Six Months Ended June 30, 2017 Compared to the Six Months Ended June 30, 2016

## U.S. Operations Segment

The following table presents segment pre-tax operating income of the U.S. operations segment for the six months ended June 30, 2017 as compared to the six months ended June 30, 2016. Store operating expenses include salary and benefit expense of store-level employees, occupancy costs, bank charges, security, insurance, utilities, supplies and other costs incurred by the stores.

|  | Six Months Ended<br>June 30, |           |          |
|--|------------------------------|-----------|----------|
|  | 2017                         | 2016      | Increase |
| U.S. Operations Segment                          |                              |           |          |
| Revenue:   |                              |           |          |
| Retail merchandise sales                         | \$358,518                    | \$102,126 | 251 %    |
| Pawn loan fees                                   | 192,072                      | 46,089    | 317 %    |
| Consumer loan and credit services fees           | 38,900                       | 9,628     | 304 %    |
| Wholesale scrap jewelry sales                    | 59,033                       | 10,864    | 443 %    |
| Total revenue                                    | 648,523                      | 168,707   | 284 %    |
| Cost of revenue:                                 |                              |           |          |
| Cost of retail merchandise sold                  | 230,228                      | 62,710    | 267 %    |
| Consumer loan and credit services loss provision | 9,047                        | 2,105     | 330 %    |
| Cost of wholesale scrap jewelry sold             | 56,082                       | 8,959     | 526 %    |
| Total cost of revenue                            | 295,357                      | 73,774    | 300 %    |
| Net revenue                                      | 353,166                      | 94,933    | 272 %    |
| Segment expenses:                                |                              |           |          |
| Store operating expenses                         | 213,489                      | 54,716    | 290 %    |
| Depreciation and amortization                    | 12,840                       | 2,921     | 340 %    |
| Total segment expenses                           | 226,329                      | 57,637    | 293 %    |
| Segment pre-tax operating income                 | \$126,837                    | \$37,296  | 240 %    |

## Retail Merchandise Sales Operations

U.S. retail merchandise sales increased 251% to \$358,518 during the six months ended June 30, 2017 compared to \$102,126 for the six months ended June 30, 2016. The increase was primarily due to the inclusion of the Cash America Results for the six months ended June 30, 2017, which accounted for 100% of the increase in retail merchandise sales. During the six months ended June 30, 2017, the gross profit margin on retail merchandise sales in the U.S. was 36% compared to a margin of 39% during the six months ended June 30, 2016, reflecting the impact of historically lower margins in the Cash America stores.

## Pawn Lending Operations

U.S. pawn loan fees increased 317% totaling \$192,072 during the six months ended June 30, 2017 compared to \$46,089 for the six months ended June 30, 2016. Pawn loan receivables in the U.S. as of June 30, 2017 increased 312% compared to June 30, 2016. The increase in pawn loan fees and pawn loan receivables was due to the inclusion



of the Cash America Results following the Merger, which accounted for 99% of the pawn fee and pawn receivable increases.

Table of Contents

Consumer Lending Operations

Service fees from U.S. consumer loans and credit services transactions (collectively, consumer lending operations) increased 304% to \$38,900 during the six months ended June 30, 2017 compared to \$9,628 for the six months ended June 30, 2016. The increase in fees was due to the inclusion of the Cash America Results following the Merger. Excluding the Cash America Results, consumer loan and credit services fees decreased 28% as the Company continues to deemphasize consumer lending operations in light of increasing regulatory constraints. Revenues from consumer lending operations comprised 6% of total U.S. revenue during the six months ended June 30, 2017 and 2016.

Wholesale Scrap Jewelry Operations

U.S. wholesale scrap jewelry revenue during the six months ended June 30, 2017 consisted primarily of gold sales, which increased 443% to \$59,033 during the six months ended June 30, 2017 compared to \$10,864 during the six months ended June 30, 2016. The increase in wholesale scrap jewelry revenue was primarily due to the inclusion of the Cash America Results following the Merger, which accounted for 108% of the increase in wholesale scrap jewelry revenue. The scrap gross profit margin in the U.S. was 5% compared to the prior-year margin of 18%, primarily as a result of the typically higher cost basis in scrap jewelry sold by the Cash America stores. Scrap jewelry profits accounted for 1% of U.S. net revenue (gross profit) for the six months ended June 30, 2017 compared to 2% in the six months ended June 30, 2016.

Store Operating Expenses and Segment Pre-Tax Operating Income

U.S. store operating expenses increased 290% to \$213,489 during the six months ended June 30, 2017 compared to \$54,716 during the six months ended June 30, 2016, primarily as a result of the Merger. Same-store operating expenses increased 1% and decreased 3% in the legacy First Cash and Cash America stores, respectively, compared with the prior-year period.

The U.S. segment pre-tax operating income for the six months ended June 30, 2017 was \$126,837, which generated a pre-tax segment operating margin of 20% compared to \$37,296 and 22% in the prior year, respectively. The decline in the segment pre-tax operating margin was primarily due to historically lower operating margins in the Cash America stores.

Depreciation and Amortization

U.S. store depreciation and amortization increased 340% to \$12,840 during the six months ended June 30, 2017 compared to \$2,921 during the six months ended June 30, 2016, primarily as a result of the Merger.

Table of Contents

## Latin America Operations Segment

The following table presents segment pre-tax operating income of the Latin America operations segment for the six months ended June 30, 2017 as compared to the six months ended June 30, 2016. Store operating expenses include salary and benefit expense of store-level employees, occupancy costs, bank charges, security, insurance, utilities, supplies and other costs incurred by the stores.

|  | Six Months Ended |           | Increase / |            | Constant Currency |          | Increase / |            |
|--|------------------|-----------|------------|------------|-------------------|----------|------------|------------|
|  | June 30,         | 2016      | Increase / | (Decrease) | Basis             | June 30, | Increase / | (Decrease) |
|  | 2017             |           | (Decrease) | (Non-GAAP) | Six               | 2017     | (Decrease) | (Non-GAAP) |
|  |                  |           |            |            | Months            |          |            |            |
|  |                  |           |            |            | Ended             |          |            |            |
| Latin America Operations Segment                 |                  |           |            |            |                   |          |            |            |
| Revenue:   |                  |           |            |            |                   |          |            |            |
| Retail merchandise sales                         | \$145,298        | \$132,193 | 10 %       |            | \$156,291         | 18 %     |            |            |
| Pawn loan fees                                   | 58,811           | 57,222    | 3 %        |            | 63,180            | 10 %     |            |            |
| Consumer loan and credit services fees           | 849              | 974       | (13 )%     |            | 917               | (6 )%    |            |            |
| Wholesale scrap jewelry sales                    | 10,724           | 6,086     | 76 %       |            | 10,724            | 76 %     |            |            |
| Total revenue                                    | 215,682          | 196,475   | 10 %       |            | 231,112           | 18 %     |            |            |
| Cost of revenue:                                 |                  |           |            |            |                   |          |            |            |
| Cost of retail merchandise sold                  | 91,880           | 83,057    | 11 %       |            | 98,778            | 19 %     |            |            |
| Consumer loan and credit services loss provision | 187              | 262       | (29 )%     |            | 202               | (23 )%   |            |            |
| Cost of wholesale scrap jewelry sold             | 9,457            | 4,765     | 98 %       |            | 10,130            | 113 %    |            |            |
| Total cost of revenue                            | 101,524          | 88,084    | 15 %       |            | 109,110           | 24 %     |            |            |
| Net revenue                                      | 114,158          | 108,391   | 5 %        |            | 122,002           | 13 %     |            |            |
| Segment expenses:                                |                  |           |            |            |                   |          |            |            |
| Store operating expenses                         | 60,325           | 55,273    | 9 %        |            | 64,385            | 16 %     |            |            |
| Depreciation and amortization                    | 5,019            | 5,317     | (6 )%      |            | 5,358             | 1 %      |            |            |
| Total segment expenses                           | 65,344           | 60,590    | 8 %        |            | 69,743            | 15 %     |            |            |
| Segment pre-tax operating income                 | \$48,814         | \$47,801  | 2 %        |            | \$52,259          | 9 %      |            |            |

## Retail Merchandise Sales Operations

Latin America retail merchandise sales increased 10% (18% on a constant currency basis) to \$145,298 during the six months ended June 30, 2017 compared to \$132,193 for the six months ended June 30, 2016. The increase was primarily due to a 4% increase (12% on a constant currency basis) in same-store retail sales. During the six months ended June 30, 2017 and 2016, the gross profit margin on retail merchandise sales was 37%.

## Pawn Lending Operations

Pawn loan fees in Latin America increased 3% (10% on a constant currency basis) totaling \$58,811 during the six months ended June 30, 2017 compared to \$57,222 for the six months ended June 30, 2016 as a result of the 17% (13%

on a constant currency basis) increase in pawn loan receivables as of June 30, 2017 compared to June 30, 2016. The increase in pawn receivables reflects a same-store pawn receivable increase of 14% (11% on a constant currency basis) and new store additions.

Table of Contents

## Store Operating Expenses and Segment Pre-Tax Operating Income

Store operating expenses increased 9% (16% on a constant currency basis) to \$60,325 during the six months ended June 30, 2017 compared to \$55,273 during the six months ended June 30, 2016, primarily as a result of store additions and the Maxi Prenda Acquisition, partially offset by an 8% year-over-year decline in the average value of the Mexican peso. Same-store operating expenses decreased 1% (increased 6% on a constant currency basis) compared to the prior-year period.

The segment pre-tax operating income for the six months ended June 30, 2017 was \$48,814, which generated a pre-tax segment operating margin of 23% compared to \$47,801 and 24% in the prior year, respectively.

## Consolidated Results of Operations

The following table reconciles pre-tax operating income of the Company's U.S. operations segment and Latin America operations segment discussed above to consolidated net income for the six months ended June 30, 2017 as compared to the six months ended June 30, 2016:

|   | Six Months Ended |          |            |   |
|---|------------------|----------|------------|---|
|   | June 30,         | 2016     | Increase / |   |
|   | 2017             |          | (Decrease) |   |
| <b>Consolidated Results of Operations</b>                 |                  |          |            |   |
| U.S. operations segment pre-tax operating income          | \$126,837        | \$37,296 | 240        | % |
| Latin America operations segment pre-tax operating income | 48,814           | 47,801   | 2          | % |
| Consolidated segment pre-tax operating income             | 175,651          | 85,097   | 106        | % |
| <b>Corporate expenses and other income:</b>               |                  |          |            |   |
| Administrative expenses                                   | 63,543           | 33,777   | 88         | % |
| Depreciation and amortization                             | 11,073           | 1,646    | 573        | % |
| Interest expense  | 11,698           | 8,786    | 33         | % |
| Interest income   | (720)            | (498)    | 45         | % |
| Merger and other acquisition expenses                     | 2,253            | 4,479    | (50)       | % |
| Loss on extinguishment of debt                            | 14,094           | —        | —          | % |
| Total corporate expenses and other income                 | 101,941          | 48,190   | 112        | % |
| Income before income taxes                                | 73,710           | 36,907   | 100        | % |
| Provision for income taxes                                | 25,826           | 12,060   | 114        | % |
| Net income  | \$47,884         | \$24,847 | 93         | % |
| Comprehensive income                                      | \$84,226         | \$8,144  | 934        | % |

## Corporate Expenses and Taxes

Administrative expenses increased 88% to \$63,543 during the six months ended June 30, 2017 compared to \$33,777 during the six months ended June 30, 2016, primarily as a result of the Merger and a 65% increase in the weighted-average store count resulting in additional management and supervisory compensation and other support expenses required for such growth, partially offset by an 8% decline in the average value of the Mexican peso, which reduced comparative administrative expenses in Mexico. As a percentage of revenue, administrative expenses

decreased from 9% during the six months ended June 30, 2016 to 7% during the six months ended June 30, 2017, primarily due to synergies realized from the Merger and the Maxi Prenda Acquisition.

Table of Contents

Depreciation and amortization increased to \$11,073 during the six months ended June 30, 2017 compared to \$1,646 during the six months ended June 30, 2016 primarily due to the assumption of substantial corporate property and equipment from the Merger and \$5,115 in amortization expense related to intangible assets acquired as a result of the Merger.

Interest expense increased to \$11,698 during the six months ended June 30, 2017 compared to \$8,786 for the six months ended June 30, 2016. See “—Liquidity and Capital Resources.”

Merger and other acquisition expenses decreased to \$2,253 during the six months ended June 30, 2017 compared to \$4,479 for the six months ended June 30, 2016, reflecting timing in transaction and integration costs primarily related to the Merger. See “—Non-GAAP Financial Information” for additional details of Merger related expenses.

During the six months ended June 30, 2017, the Company repurchased through a tender offer, or otherwise redeemed, its outstanding \$200,000, 6.75% senior notes due 2021 incurring a loss on extinguishment of debt of \$14,094.

For the six months ended June 30, 2017 and 2016, the Company’s effective federal income tax rates were 35.0% and 32.7%, respectively. The increase in the effective tax rate was primarily due to the increase in taxable U.S. sourced income due to the Merger, which is subject to a higher tax rate than taxable income sourced in Latin America.

#### Net Income, Adjusted Net Income, Net Income Per Share and Adjusted Net Income Per Share

The following table sets forth revenue, net revenue, net income, net income per share, adjusted net income and adjusted net income per share for the six months ended June 30, 2017 compared to the six months ended June 30, 2016:

|                             | Six Months Ended June 30, |            |             |            |
|-----------------------------|---------------------------|------------|-------------|------------|
|                             | 2017                      |            | 2016        |            |
|                             | As Reported               | Adjusted   | As Reported | Adjusted   |
|                             | (GAAP)                    | (Non-GAAP) | (GAAP)      | (Non-GAAP) |
| Revenue                     | \$864,205                 | \$ 864,205 | \$365,182   | \$ 365,182 |
| Net revenue                 | \$467,324                 | \$ 467,324 | \$203,324   | \$ 203,324 |
| Net income                  | \$47,884                  | \$ 58,183  | \$24,847    | \$ 27,758  |
| Diluted earnings per share  | \$0.99                    | \$ 1.20    | \$0.88      | \$ 0.98    |
| Weighted avg diluted shares | 48,345                    | 48,345     | 28,242      | 28,242     |

As reported (GAAP) net income and adjusted net income for the six months ended June 30, 2017 increased 93% and 110%, respectively, compared to the prior-year period. As reported (GAAP) earnings per share and adjusted earnings per share increased 13% and 22%, respectively, reflecting growth in net income that was partially offset by the 71% increase in the weighted average diluted shares outstanding due to the Merger and the 8% decline in the average value of the Mexican peso compared to the six months ended June 30, 2016.

Adjusted net income removes certain items from GAAP net income that the Company does not consider to be representative of its actual operating performance, such as Merger and other acquisition expenses, but does not adjust for the effects of foreign currency rate fluctuations. See “—Non-GAAP Financial Information—Adjusted Net Income and Adjusted Net Income Per Share” below.

Table of Contents

LIQUIDITY AND CAPITAL RESOURCES (unaudited)

As of June 30, 2017, the Company's primary sources of liquidity were \$91,434 in cash and cash equivalents, \$308,544 of available and unused funds under the Company's long-term lines of credit with its commercial lenders, \$420,401 in customer loans and pawn loan fees and service charges receivable and \$301,361 in inventories. As of June 30, 2017, the amount of cash associated with indefinitely reinvested foreign earnings was \$49,673, which is primarily held in Mexican pesos. The Company had working capital of \$731,637 as of June 30, 2017 and total equity exceeded liabilities by a ratio of 2.4 to 1.

On May 30, 2017, the Company completed an offering of \$300,000 of 5.375% senior notes due on June 1, 2024 (the "Notes"). Interest on the Notes will be payable semi-annually in arrears on June 1 and December 1, commencing on December 1, 2017. The Notes were sold to the placement agents as initial purchasers for resale only to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and outside the United States in accordance with Regulation S under the Securities Act. The Company used the proceeds from the offering to repurchase, or otherwise redeem, its outstanding \$200,000, 6.75% senior notes due 2021 (the "2021 Notes"), to pay down the Company's credit facility and to pay for related fees and expenses associated with the offering and the repurchase and redemption of the 2021 Notes. The Company is capitalizing approximately \$5,200 in issuance costs, which consisted primarily of placement agent fees and legal and other professional expenses. The issuance costs are being amortized over the life of the Notes as a component of interest expense and are carried as a direct deduction from the carrying amount of the Notes in the accompanying condensed consolidated balance sheets.

The Notes are fully and unconditionally guaranteed on a senior unsecured basis jointly and severally by all of the Company's existing and future domestic subsidiaries that guarantee its primary revolving bank credit facility. The Notes will permit the Company to make share repurchases of up to \$100,000 with the net proceeds of the Notes and other available funds and to make restricted payments, such as purchasing shares of its stock and paying cash dividends, in an unlimited amount if, after giving pro forma effect to the incurrence of any indebtedness to make such payment, the Company's consolidated total debt ratio ("Net Debt Ratio") is less than 2.25 to 1.00. The Net Debt Ratio is defined generally in the indenture governing the Notes (the "Indenture") as the ratio of (1) the total consolidated debt of the Company minus cash and cash equivalents of the Company to (2) the Company's consolidated trailing twelve months EBITDA, as adjusted to exclude certain non-recurring expenses and giving pro forma effect to operations acquired during the measurement period.

The Company may redeem the Notes at any time on or after June 1, 2020, at the redemption prices set forth in the Indenture, plus accrued and unpaid interest, if any. In addition, prior to June 1, 2020, the Company may redeem some or all of the Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus a "make-whole" premium set forth in the Indenture. The Company may redeem up to 35% of the Notes prior to June 1, 2020, with the proceeds of certain equity offerings at a redemption price of 105.375% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any. In addition, upon a change of control, noteholders have the right to require the Company to purchase the Notes at a price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest, if any.

During the three months ended June 30, 2017, the Company repurchased through a tender offer, or otherwise redeemed, all outstanding 2021 Notes. As a result, the Company recognized a loss on extinguishment of debt of \$14,094, which includes the tender or redemption premiums paid over the outstanding \$200,000 principal amount of the 2021 Notes and other reacquisition costs of \$10,875 and the write off of unamortized debt issuance costs of \$3,219.

At June 30, 2017, the Company maintained a line of credit with a group of U.S. based commercial lenders (the "2016 Credit Facility") in the amount of \$400,000. In May 2017, the term of the 2016 Credit Facility was extended through



September 2, 2022. The calculation of the fixed charge coverage ratio was also amended to remove share repurchases from the calculation to provide greater flexibility for making future share repurchases and paying cash dividends.

At June 30, 2017, the Company had \$97,000 in outstanding borrowings and a \$4,456 outstanding letter of credit under the 2016 Credit Facility, leaving \$298,544 available for future borrowings. The 2016 Credit Facility bears interest, at the Company's option, at either (i) the prevailing London Interbank Offered Rate ("LIBOR") (with interest periods of 1 week or 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 agreement has a LIBOR floor of 0%. Additionally, the Company is required to pay an annual commitment fee of 0.50% on the average daily unused portion of the 2016 Credit Facility commitment. The weighted-average interest rate on amounts outstanding under the 2016 Credit Facility at June 30, 2017 was 3.73% based on 1 week LIBOR. Under the terms of the 2016 Credit Facility, the Company is required to maintain certain financial ratios and comply with certain financial covenants. The 2016 Credit Facility also contains customary restrictions on the Company's ability to incur additional debt, grant liens, make investments, consummate acquisitions and similar negative covenants with customary carve-outs and baskets. The Company was in compliance with the requirements and covenants of the 2016 Credit Facility as of June 30, 2017, and believes it has the capacity to borrow a substantial

Table of Contents

portion of the amount available under the 2016 Credit Facility under the most restrictive covenant. During the six months ended June 30, 2017, the Company made net payments of \$163,000 pursuant to the 2016 Credit Facility.

At June 30, 2017, the Company maintained a U.S. dollar denominated line of credit with a bank in Mexico (the “Mexico Credit Facility”) in the amount of \$10,000. The Mexico Credit Facility bears interest at 30-day LIBOR 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 June 30, 2017, 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 due when the first amount is drawn/borrowed. At June 30, 2017, the Company had no amount outstanding under the Mexico Credit Facility and \$10,000 was available for borrowings.

In general, revenue growth is dependent upon the Company’s ability to fund the addition of store locations (both de novo openings and acquisitions) and growth in 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, including expenses related to the Merger, affect the Company’s liquidity. Management believes 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.”

The Company regularly evaluates opportunities to optimize its capital structure, including through consideration of the issuance of debt or equity, to refinance existing debt and to fund ongoing cash needs such as general corporate purposes, growth initiatives and its stock repurchase program.

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:

|  | Six Months Ended |            |
|--|------------------|------------|
|  | June 30,         |            |
|  | 2017             | 2016       |
| Cash flow provided by operating activities           | \$102,813        | \$39,573   |
| Cash flow provided by (used in) investing activities | \$15,447         | \$(54,192) |
| Cash flow used in financing activities               | \$(122,908)      | \$(21,116) |

|                               | Balance at June 30, |           |
|-------------------------------|---------------------|-----------|
|                               | 2017                | 2016      |
| Working capital               | \$731,637           | \$247,278 |
| Current ratio                 | 6.85:1              | 5.70:1    |
| Liabilities to equity ratio   | 0.41:1              | 0.75:1    |
| Net Debt Ratio <sup>(1)</sup> | 1.22:1              | 1.57:1    |

Pursuant to the covenants of the Notes, the Company may make restricted payments, such as purchasing shares of its stock and paying cash dividends, in an unlimited amount if, after giving pro forma effect to the incurrence of any (1) indebtedness to make such payment, the Company's Net Debt Ratio is less than 2.25 to 1.00. Adjusted EBITDA, a component of the Net Debt Ratio, is a non-GAAP measure. See “—Non-GAAP Financial Information” for a calculation of the Net Debt Ratio.

Table of Contents

Net cash provided by operating activities increased \$63,240, or 160%, from \$39,573 for the six months ended June 30, 2016 to \$102,813 for the six months ended June 30, 2017, due primarily to an increase in net income of \$23,037 and net changes in certain adjustments and operating assets and liabilities (as detailed in the condensed consolidated statements of cash flows).

Net cash provided by investing activities increased \$69,639, or 129%, from net cash used in investing activities of \$54,192 for the six months ended June 30, 2016 to net cash provided by investing activities of \$15,447 for the six months ended June 30, 2017. Cash flows from investing activities are utilized primarily to fund pawn store acquisitions and purchases of property and equipment. In addition, net cash flows related to fundings/repayments of pawn and consumer loans are included in investing activities. The Company paid \$1,115 in cash related to acquisitions during the six months ended June 30, 2017 compared to \$27,653 in the prior-year period. The Company received net repayments on loan receivables of \$33,963 during the six months ended June 30, 2017 compared to net fundings of \$9,466 during the six months ended June 30, 2016.

Net cash used in financing activities increased \$101,792, or 482%, from \$21,116 for the six months ended June 30, 2016 to \$122,908 for the six months ended June 30, 2017. Net payments on the Company's credit facilities were \$163,000 during the six months ended June 30, 2017 compared to \$7,500 during the six months ended June 30, 2016. During the six months ended June 30, 2017, the Company received \$300,000 in proceeds from the private offering of the Notes and paid \$4,718 in debt issuance costs. Using part of the proceeds from the Notes, the Company repurchased, or otherwise redeemed, the \$200,000 2021 Notes and paid tender or redemption premiums over the face value of the 2021 Notes and other reacquisition costs of \$10,875 during the six months ended June 30, 2017. In addition, the Company repaid \$6,532 in peso-denominated debt assumed from the Maxi Prenda Acquisition during the six months ended June 30, 2016. The Company repurchased \$26,274 worth of shares of its common stock, realized proceeds from the exercise of stock options of \$307 and paid dividends of \$18,348 during the six months ended June 30, 2017, compared to dividends paid of \$7,061 during the six months ended June 30, 2016.

During the six months ended June 30, 2017, the Company opened 23 new pawn stores in Latin America, acquired five pawn stores in Latin America, opened one pawn store in the U.S. and acquired one pawn store in the U.S. The cumulative purchase price of the 2017 acquisitions was \$1,153, net of cash acquired and certain post-closing adjustments. The purchases were composed of \$1,098 in cash paid during the six months ended June 30, 2017 and \$55 of deferred purchase price payable to the sellers in 2017. During the six months ended June 30, 2017, the Company also paid \$17 of deferred purchase price amounts payable related to prior-year acquisitions. The Company funded \$17,401 in capital expenditures during the six months ended June 30, 2017, related primarily to maintenance capital expenditures and new store additions.

The Company intends to continue expansion primarily through acquisitions and new store openings. For 2017, the Company expects to add approximately 65 to 85 stores, primarily in Latin America, including plans for additional stores in Mexico, Guatemala and potentially its first stores in Colombia later in the year. The Company expects that total capital expenditures for 2017, including expenditures for new and remodeled stores and other corporate assets, will total approximately \$32,000 to \$37,000. 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 2017.

The Company continually looks for, and is presented with, potential acquisition opportunities. The Company currently has no other contractual commitments for materially significant future acquisitions, business combinations or capital commitments. The Company will evaluate potential acquisitions based upon growth potential, purchase price, available liquidity, debt covenant restrictions, 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 connection with the Merger, the Company assumed forward gold sales contracts entered into by Cash America. As of June 30, 2017, the Company has gold commitments of 12,300 gold ounces deliverable through December 31, 2017. The ounces required to be delivered are well within historical scrap gold volumes and the Company expects to have the required gold ounces to meet the commitments as they come due.

In January 2015, the Company's Board of Directors authorized a common stock repurchase program for up to 2,000,000 shares of the Company's outstanding common stock. During the first quarter of 2017, the Company repurchased 228,000 shares of its common stock at an aggregate cost of \$10,005 and an average cost per share of \$43.94. In May 2017, the Company's Board of Directors authorized a new common stock repurchase program for up to \$100,000 of the Company's outstanding common stock. The new share repurchase program replaced the Company's prior share repurchase plan, which was terminated in May 2017. During the second quarter of 2017, the Company repurchased 290,000 shares of its common stock at an aggregate cost of \$16,269 and an average cost per share of \$56.06 and \$83,731 remains available for repurchases under the current repurchase program. The Company intends to continue repurchases under its repurchase program in 2017 through open market transactions under trading plans in accordance with Rule 10b5-1 and Rule 10b-18 under the Exchange Act of 1934, as amended, subject to a variety of factors,

Table of Contents

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, dividend policy and the availability of alternative investment opportunities.

In July 2016 and in connection with the Merger, the Company's Board of Directors approved a plan to increase the annual dividend to \$0.76 per share, or \$0.19 per share quarterly, beginning in the fourth quarter of 2016. In July 2017, the Company's Board of Directors declared a \$0.19 per share third quarter cash dividend, or an aggregate of \$9,067 based on current share counts, on common shares outstanding, which will be paid on August 31, 2017 to stockholders of record as of August 15, 2017. The declaration and payment of cash dividends in the future (quarterly or otherwise) will be made by the Board of Directors, from time to time, subject to the Company's financial condition, results of operations, business requirements, compliance with legal requirements and debt covenant restrictions.

NON-GAAP FINANCIAL INFORMATION (unaudited)

The Company uses certain financial calculations such as adjusted net income, adjusted net income per share, EBITDA, adjusted EBITDA, free cash flow, adjusted 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 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 non-GAAP financial measures in operating its business because management believes they are less susceptible to variances in actual operating performance that can result from the excluded items, other infrequent charges and currency fluctuations. 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, EBITDA, adjusted EBITDA, free cash flow, adjusted 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, EBITDA, adjusted EBITDA, free cash flow, adjusted free cash flow and constant currency results, as presented, may not be comparable to other similarly titled measures of other companies.

The Company expects to incur additional expenses in 2017 and 2018 in connection with its Merger and integration with Cash America. The Company has adjusted the applicable financial measures to exclude these items because it generally would not incur such costs and expenses as part of its continuing operations. The Merger related expenses are predominantly incremental costs directly associated with the Merger and integration of Cash America, including professional fees, legal expenses, severance and retention payments, accelerated vesting of certain equity compensation awards, contract breakage costs and costs related to consolidation of technology systems and corporate facilities.

Table of Contents

## 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 by excluding items that management believes are non-operating in nature and not representative of the Company’s core operating performance. 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 periods presented with the prior periods presented.

The following tables provide a reconciliation 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:

|                                | Three Months Ended June 30, |        |           |        | Six Months Ended June 30, |        |           |        |
|--------------------------------|-----------------------------|--------|-----------|--------|---------------------------|--------|-----------|--------|
|                                | 2017                        |        | 2016      |        | 2017                      |        | 2016      |        |
|                                | In                          | Per    | In        | Per    | In                        | Per    | In        | Per    |
|                                | Thousands                   | Share  | Thousands | Share  | Thousands                 | Share  | Thousands | Share  |
| Net income, as reported        | \$15,239                    | \$0.32 | \$11,673  | \$0.41 | \$47,884                  | \$0.99 | \$24,847  | \$0.88 |
| Adjustments, net of tax:       |                             |        |           |        |                           |        |           |        |
| Merger related expenses:       |                             |        |           |        |                           |        |           |        |
| Transaction                    | —                           | —      | 2,651     | 0.10   | —                         | —      | 2,817     | 0.10   |
| Severance and retention        | 447                         | 0.01   | —         | —      | 801                       | 0.02   | —         | —      |
| Other                          | 565                         | 0.01   | —         | —      | 619                       | 0.01   | —         | —      |
| Total Merger related expenses  | 1,012                       | 0.02   | 2,651     | 0.10   | 1,420                     | 0.03   | 2,817     | 0.10   |
| Other acquisition expenses     | —                           | —      | —         | —      | —                         | —      | 94        | —      |
| Loss on extinguishment of debt | 8,879                       | 0.18   | —         | —      | 8,879                     | 0.18   | —         | —      |
| Adjusted net income            | \$25,130                    | \$0.52 | \$14,324  | \$0.51 | \$58,183                  | \$1.20 | \$27,758  | \$0.98 |

The following tables provide a reconciliation of the gross amounts, the impact of income taxes and the net amounts for each of the adjustments included in the table above:

|                                | Three Months Ended June 30, |         |           |         |         |           |
|--------------------------------|-----------------------------|---------|-----------|---------|---------|-----------|
|                                | 2017                        |         |           | 2016    |         |           |
|                                | Pre-tax                     | Tax     | After-tax | Pre-tax | Tax     | After-tax |
| Merger related expenses        | \$1,606                     | \$594   | \$ 1,012  | \$4,079 | \$1,428 | \$ 2,651  |
| Loss on extinguishment of debt | 14,094                      | 5,215   | 8,879     | —       | —       | —         |
| Total adjustments              | \$15,700                    | \$5,809 | \$ 9,891  | \$4,079 | \$1,428 | \$ 2,651  |

|                                | Six Months Ended June 30, |         |           |         |         |           |
|--------------------------------|---------------------------|---------|-----------|---------|---------|-----------|
|                                | 2017                      |         |           | 2016    |         |           |
|                                | Pre-tax                   | Tax     | After-tax | Pre-tax | Tax     | After-tax |
| Merger related expenses        | \$2,253                   | \$833   | \$ 1,420  | \$4,329 | \$1,512 | \$ 2,817  |
| Other acquisition expenses     | —                         | —       | —         | 150     | 56      | 94        |
| Loss on extinguishment of debt | 14,094                    | 5,215   | 8,879     | —       | —       | —         |
| Total adjustments              | \$16,347                  | \$6,048 | \$10,299  | \$4,479 | \$1,568 | \$ 2,911  |

Table of Contents

## Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and Adjusted EBITDA

The Company defines EBITDA as net income before income taxes, depreciation and amortization, interest expense and interest income and adjusted EBITDA as EBITDA adjusted for certain items as listed below that management considers to be non-operating in nature and not representative of its actual operating performance. The Company believes EBITDA and adjusted EBITDA are commonly used by investors to assess a company's financial performance. The following table provides a reconciliation of net income to EBITDA and adjusted EBITDA:

|   | Three Months Ended |           | Six Months Ended |           | Trailing Twelve Months Ended |            |
|---|--------------------|-----------|------------------|-----------|------------------------------|------------|
|   | June 30,           |           | June 30,         |           | June 30,                     |            |
|   | 2017               | 2016      | 2017             | 2016      | 2017                         | 2016       |
| Net income  | \$ 15,239          | \$ 11,673 | \$ 47,884        | \$ 24,847 | \$ 83,164                    | \$ 55,430  |
| Income taxes  | 6,229              | 5,573     | 25,826           | 12,060    | 47,086                       | 25,338     |
| Depreciation and amortization <sup>(1)</sup>                    | 14,689             | 4,947     | 28,932           | 9,884     | 50,913                       | 18,545     |
| Interest expense  | 5,585              | 4,326     | 11,698           | 8,786     | 23,232                       | 17,527     |
| Interest income   | (393 )             | (224 )    | (720 )           | (498 )    | (973 )                       | (1,327 )   |
| EBITDA  | 41,349             | 26,295    | 113,620          | 55,079    | 203,422                      | 115,513    |
| Adjustments:  |                    |           |                  |           |                              |            |
| Merger related expenses   | 1,606              | 4,079     | 2,253            | 4,329     | 34,144                       | 4,329      |
| Other acquisition expenses                                      | —                  | —         | —                | 150       | 300                          | 1,850      |
| Loss on extinguishment of debt                                  | 14,094             | —         | 14,094           | —         | 14,094                       | —          |
| Restructuring expenses related to U.S. consumer loan operations | —                  | —         | —                | —         | —                            | 8,439      |
| Net gain on sale of common stock of Enova                       | —                  | —         | —                | —         | (1,299 )                     | —          |
| Adjusted EBITDA   | \$ 57,049          | \$ 30,374 | \$ 129,967       | \$ 59,558 | \$ 250,661                   | \$ 130,131 |
| Net Debt Ratio calculated as follows:                           |                    |           |                  |           |                              |            |
| Total debt (outstanding principal)                              |                    |           |                  |           | \$ 397,000                   | \$ 250,500 |
| Less: cash and cash equivalents                                 |                    |           |                  |           | (91,434 )                    | (46,274 )  |
| Net debt  |                    |           |                  |           | 305,566                      | 204,226    |
| Adjusted EBITDA   |                    |           |                  |           | \$ 250,661                   | \$ 130,131 |
| Net Debt Ratio  |                    |           |                  |           | 1.22                         | :1 1.57 :1 |

<sup>(1)</sup> For the trailing twelve months ended June 30, 2016, excludes \$264 of depreciation and amortization, which is included in the restructuring expenses related to U.S. consumer loan operations.



Table of Contents

## Free Cash Flow and Adjusted Free Cash Flow

For purposes of its internal liquidity assessments, the Company considers free cash flow and adjusted free cash flow. The Company defines free cash flow as cash flow from operating activities less purchases of property and equipment and net fundings/repayments of pawn and consumer loans, which are considered to be operating in nature by the Company but are included in cash flow from investing activities, and adjusted free cash flow as free cash flow adjusted for Merger related expenses paid that management considers to be non-operating in nature. Free cash flow and adjusted free cash flow are commonly used by investors as an additional measure of cash generated by business operations that may be used to repay scheduled debt maturities and debt service or, following payment of such debt obligations and other non-discretionary items, may be available to invest in future growth through new business development activities or acquisitions, repurchase stock, pay cash dividends 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 and adjusted free cash flow have limitations as analytical tools and should not be considered in isolation or as a substitute for cash flow from operating activities or other income statement data prepared in accordance with GAAP. The following table reconciles net cash flow from operating activities to free cash flow and adjusted free cash flow:

|  | Three Months Ended |            | Six Months Ended |           | Trailing Twelve Months Ended |           |
|--|--------------------|------------|------------------|-----------|------------------------------|-----------|
|  | June 30,           |            | June 30,         |           | June 30,                     |           |
|  | 2017               | 2016       | 2017             | 2016      | 2017                         | 2016      |
| Cash flow from operating activities      | \$38,948           | \$14,497   | \$102,813        | \$39,573  | \$160,094                    | \$90,413  |
| Cash flow from investment activities:    |                    |            |                  |           |                              |           |
| Loan receivables, net of cash repayments | (33,226 )          | (14,759 )  | 33,963           | (9,466 )  | 27,357                       | (9,211 )  |
| Purchases of property and equipment      | (9,325 )           | (10,730 )  | (17,401 )        | (17,073 ) | (34,191 )                    | (29,546 ) |
| Free cash flow                           | (3,603 )           | (10,992 )  | 119,375          | 13,034    | 153,260                      | 51,656    |
| Merger related expenses paid, net of tax | 1,743              | 1,391      | 3,545            | 1,557     | 22,929                       | 1,557     |
| Adjusted free cash flow                  | \$(1,860 )         | \$(9,601 ) | \$122,920        | \$14,591  | \$176,189                    | \$53,213  |

## 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 is considered a non-GAAP measurement of financial performance. The Company's management uses constant currency results to evaluate operating results of business operations in Latin America, which are primarily transacted in local currencies.

The Company believes constant currency results provide investors with valuable supplemental information regarding the underlying performance of its business operations in Latin America, consistent with how the Company's management evaluates such performance and operating results. Constant currency results reported herein are calculated by translating certain balance sheet and income statement items denominated in local currencies 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. Business operations in Mexico and Guatemala are transacted in Mexican pesos and Guatemalan quetzales, respectively. The Company also has operations in El Salvador where the reporting and functional currency is the U.S. dollar. See the Latin America operations segment tables in "—Results of Continuing Operations" above for additional reconciliation of certain constant currency amounts to as reported GAAP amounts.



Table of Contents

The following table provides exchange rates for the Mexican peso and Guatemalan quetzal for the current and prior year periods:

|   | June 30, |      | Increase<br>/ |   |
|---|----------|------|---------------|---|
|   | 2017     | 2016 | Decrease      |   |
| Mexican peso / U.S. dollar exchange rate:       |          |      |               |   |
| End-of-period                                   | 17.9     | 18.5 | 3             | % |
| Three months ended                              | 18.6     | 18.1 | (3)           | % |
| Six months ended                                | 19.5     | 18.0 | (8)           | % |
| Guatemalan quetzal / U.S. dollar exchange rate: |          |      |               |   |
| End-of-period                                   | 7.3      | 7.6  | 4             | % |
| Three months ended                              | 7.3      | 7.7  | 5             | % |
| Six months ended                                | 7.4      | 7.7  | 4             | % |

**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 U.S. and Latin America. These regulatory bodies often have broad discretionary authority over the establishment, interpretation and enforcement of such regulations. These regulations are subject to change, sometimes significantly, as a result of political, economic or social trends, events and media perception.

The Company is subject to specific laws, regulations and ordinances 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 and mandatory consumer disclosures. In many municipal, state and federal jurisdictions, in both the U.S. and countries in Latin America, 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. Existing regulations and regulatory developments are further and more completely described under "Governmental Regulation" in Part I, Item 1 of the Company's 2016 annual report on Form 10-K filed with the SEC on March 1, 2017. There have been no material changes to the Company's regulatory developments since December 31, 2016, except as explained below.

On July 11, 2017, the federal Consumer Financial Protection Bureau ("CFPB") issued a final rule on consumer arbitration agreements banning waiver of class action in pre-dispute arbitration clauses ("Rule"). On July 19, 2017, the CFPB published the Rule in the Federal Register. Based on the Rule's publication date, the Rule is scheduled to become effective on September 19, 2017, and will apply to pre-dispute arbitration agreements for covered products or services entered into on or after March 19, 2018.

The Rule, which is similar to the CFPB's proposed rule released in May 2016, will prohibit credit card companies, banks, student lenders, payday lenders, debt collectors, credit reporting companies and other financial companies, including the Company, from using arbitration clauses that ban consumers from participating in class actions. Once the Rule becomes effective, the following requirements will be in effect:

1. No waiver: Prohibits pre-dispute arbitration clauses that waive participation in a class or group action only (does not prohibit all pre-dispute arbitration clauses);

Required language: Any new contracts containing arbitration clauses must specifically and explicitly state that  
2. consumers cannot be banned from participating in lawsuit (the Rule requires specific CFPB created language that entities would have to use in their contracts); and

Submission of arbitration information: Entities that utilize arbitration clauses must submit to the CFPB information  
3. on claims, awards and other information related to arbitration cases. These records will be published on a publicly available website that the CFPB will establish by July 1, 2019.

## Table of Contents

The CFPB issued the Rule under its Dodd Frank authority; however, challenges are likely to take place before the Rule becomes effective. On July 25, 2017, the House of Representatives voted to repeal the Rule using the Congressional Review Act (the "CRA"), which allows legislators to reverse finalized rules within a specific time frame with a simple majority vote. The repeal resolution is awaiting a vote in the Senate and if approved, would be submitted to the President for signature. If Congress does not override the Rule through the CRA process, several industry groups will likely bring legal challenges in an attempt to delay or prevent the Rule's effective date. Given the political environment of the current administration, it is also possible that the President could appoint a new CFPB director who could take steps to prevent the Rule from becoming effective.

The Company cannot currently predict with certainty the impact the Rule will have on its operations.

### 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 2016 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. The Company does not engage in speculative or leveraged transactions, nor does it hold or issue financial instruments for trading purposes. There have been no material changes to the Company's exposure to market risks since December 31, 2016.

### ITEM 4. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

The Company's management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) under the Securities Exchange Act of 1934) (the "Exchange Act") as of June 30, 2017 (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 were effective.

#### Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the quarter ended June 30, 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

#### Limitations on Effectiveness of Controls and Procedures

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 2016 annual report on Form 10-K.

ITEM 1A. RISK FACTORS

Important risk factors that could cause results or events to differ from current expectations, are described in Part I, Item 1A, "Risk Factors" of the Company's 2016 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 2016 annual report on Form 10-K.

Table of Contents

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

(In thousands except share and per share amounts)

In January 2015, the Company's Board of Directors authorized a common stock repurchase program for up to 2,000,000 shares of the Company's outstanding common stock. During the first quarter of 2017, the Company repurchased 228,000 shares of its common stock at an aggregate cost of \$10,005 and an average cost per share of \$43.94. In May 2017, the Company's Board of Directors authorized a new common stock repurchase program for up to \$100,000 of the Company's outstanding common stock. The new share repurchase program replaced the Company's prior share repurchase plan, which was terminated in May 2017. During the second quarter of 2017, the Company repurchased 290,000 shares of its common stock at an aggregate cost of \$16,269 and an average cost per share of \$56.06 and \$83,731 remains available for repurchases under the current repurchase program. The Company intends to continue repurchases under its repurchase program in 2017 through open market transactions under trading plans in accordance with Rule 10b5-1 and Rule 10b-18 under the Exchange Act of 1934, as amended, subject to 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, dividend policy and the availability of alternative investment opportunities.

The following table provides the information with respect to purchases made by the Company of shares of its common stock during each month the programs were in effect during the six months ended June 30, 2017:

|                                      | Total<br>Number<br>Of Shares<br>Purchased | Average<br>Price<br>Paid<br>Per<br>Share | Total<br>Number Of<br>Shares<br>Purchased<br>As Part Of<br>Publicly<br>Announced<br>Plans | Maximum<br>Number<br>Of Shares<br>That May<br>Yet Be<br>Purchased<br>Under The<br>Plans | Approximate<br>Dollar Value<br>Of Shares<br>That May<br>Yet Be<br>Purchased<br>Under The<br>Plans |
|--------------------------------------|---|--|---|---|---|
| January 1 through January 31, 2017   | —   | \$ —                                     | —   | 1,148,000   | (2)   |
| February 1 through February 28, 2017 | 228,000                                   | 43.94                                    | 228,000   | 920,000   | (2)   |
| March 1 through March 31, 2017       | —   | —  | —   | 920,000   | (2)   |
| April 1 through April 30, 2017       | —   | —  | —   | 920,000   | (2)   |
| May 1 through May 31, 2017           | —   | —  | —   | (1)   | \$ 100,000  |
| June 1 through June 30, 2017         | 290,000                                   | 56.06                                    | 290,000   | (1)   | 83,731  |
| Total                                | 518,000                                   | \$ 50.73                                 | 518,000   |   |   |

(1) The 2,000,000 share repurchase program was terminated in May 2017.

(2) The \$100,000 repurchase program was initiated in May 2017.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable.

## ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

## ITEM 5. OTHER INFORMATION

None.

42

---



Table of Contents

## ITEM 6. EXHIBITS

| Exhibit No.        | Exhibit Description   | Incorporated by Reference |           |                     | Filed Herewith |
|--------------------|---|---------------------------|-----------|---------------------|----------------|
|                    |   | Form                      | File No.  | Exhibit Filing Date |                |
| 3.1                | Amended and Restated Certificate of Incorporation   | DEF 14A                   | 0-19133   | B 04/29/2004        |                |
| 3.2                | Amendment to Amended and Restated Certificate of Incorporation  | 8-K                       | 001-10960 | 3.1 09/02/2016      |                |
| 3.3                | Amended and Restated Bylaws   | 8-K                       | 001-10960 | 3.2 09/02/2016      |                |
| 4.1                | Indenture, dated as of May 30, 2017, by and among FirstCash, Inc., the guarantors listed therein and BOKF, NA (including the form of Note attached as an exhibit thereto)   | 8-K                       | 001-10960 | 4.1 05/30/2017      |                |
| 4.2                | Third Supplemental Indenture, dated as of May 30, 2017, to Indenture dated as of March 24, 2014, by and among FirstCash, Inc., the guarantors listed therein and BOKF, NA   | 8-K                       | 001-10960 | 4.2 05/30/2017      |                |
| 10.1               | First Amendment to Amended and Restated Credit Agreement and Waiver, dated May 30, 2017, between FirstCash, Inc., certain subsidiaries of the borrower from time to time party thereto, the lenders party thereto, and Wells Fargo Bank, National Association   | 8-K                       | 001-10960 | 10.1 05/30/2017     |                |
| 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 <sup>(1)</sup> | The following financial information from the Company's Quarterly Report on Form 10-Q for the second quarter of fiscal 2017, filed with the SEC on August 7, 2017, is formatted in Extensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets at June 30, 2017, June 30, 2016 and December 31, 2016, (ii) Condensed Consolidated Statements of Income for the three and six months ended June 30, 2017 and June 30, 2016, (iii) Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2017 and June 30, 2016, (iv) Condensed Consolidated Statements of Changes in Stockholders' Equity for the six months ended June 30, 2017 and June |                           |           |                     | X              |

30, 2016, (v) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and June 30, 2016 and (vi) Notes to Condensed Consolidated Financial Statements.

Table of Contents

The XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed “filed” for  
(1) 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.

44

---

Table of Contents

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: August 7, 2017

FIRSTCASH, INC.  
(Registrant)

/s/ RICK L. WESSEL  
Rick L. Wessel  
Chief Executive Officer  
(On behalf of the Registrant)

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

Table of Contents

## INDEX TO EXHIBITS

| Exhibit No.        | Exhibit Description  | Incorporated by Reference |           |                     | Filed Herewith |
|--------------------|--|---------------------------|-----------|---------------------|----------------|
|                    |  | Form                      | File No.  | Exhibit Filing Date |                |
| 3.1                | Amended and Restated Certificate of Incorporation  | DEF 14A                   | 0-19133   | B 04/29/2004        |                |
| 3.2                | Amendment to Amended and Restated Certificate of Incorporation   | 8-K                       | 001-10960 | 3.1 09/02/2016      |                |
| 3.3                | Amended and Restated Bylaws  | 8-K                       | 001-10960 | 3.2 09/02/2016      |                |
| 4.1                | Indenture, dated as of May 30, 2017, by and among FirstCash, Inc., the guarantors listed therein and BOKF, NA (including the form of Note attached as an exhibit thereto)  | 8-K                       | 001-10960 | 4.1 05/30/2017      |                |
| 4.2                | Third Supplemental Indenture, dated as of May 30, 2017, to Indenture dated as of March 24, 2014, by and among FirstCash, Inc., the guarantors listed therein and BOKF, NA  | 8-K                       | 001-10960 | 4.2 05/30/2017      |                |
| 10.1               | First Amendment to Amended and Restated Credit Agreement and Waiver, dated May 30, 2017, between FirstCash, Inc., certain subsidiaries of the borrower from time to time party thereto, the lenders party thereto, and Wells Fargo Bank, National Association  | 8-K                       | 001-10960 | 10.1 05/30/2017     |                |
| 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 <sup>(1)</sup> | The following financial information from the Company's Quarterly Report on Form 10-Q for the second quarter of fiscal 2017, filed with the SEC on August 7, 2017, is formatted in Extensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets at June 30, 2017, June 30, 2016 and December 31, 2016, (ii) Condensed Consolidated Statements of Income for the three and six months ended June 30, 2017 and June 30, 2016, (iii) Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2017 and June 30, 2016, (iv) Condensed Consolidated Statements of Changes in Stockholders' |                           |           |                     | X              |

Equity for the six months ended June 30, 2017 and June 30, 2016, (v) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and June 30, 2016 and (vi) Notes to Condensed Consolidated Financial Statements.

Table of Contents

(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.

47