

FIRSTCASH, INC  
Form 10-Q  
November 09, 2016  
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 September 30, 2016

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)

(817) 335-1100

(Registrant's telephone number, including area code)

75-2237318

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

76102

(Zip Code)

First Cash Financial Services, Inc.

690 E. Lamar Blvd., Suite 400, Arlington, Texas 76011

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

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

Yes  No

As of November 8, 2016, there were 48,507,343 shares of common stock outstanding.

Table of Contents

FIRSTCASH, INC.  
FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2016

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 (Loss)</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>4</u>
	<u>Condensed Consolidated Statements of Cash Flows</u>	<u>6</u>
	<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>31</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>49</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>49</u>

PART II. OTHER INFORMATION

<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>50</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>50</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>54</u>
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	<u>54</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	<u>54</u>
<u>Item 5.</u>	<u>Other Information</u>	<u>54</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>55</u>

<u>SIGNATURES</u>	<u>57</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. 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,” “would,” “anticipates,” negative thereof, or other variations thereon, or comparable terminology, or by discussions of strategy, objectives, estimates or guidance. 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 2015 annual report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on February 17, 2016, including the risks described in Part 1, Item 1A, “Risk Factors” thereof (ii) in this quarterly report, including the risks described in Part II, Item IA, “Risk Factors” hereof, 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)

	September 30,		December
	2016	2015	31,
			2015
<b>ASSETS</b>			
Cash and cash equivalents	\$83,356	\$72,523	\$86,954
Pawn loan fees and service charges receivable	45,708	18,116	16,406
Pawn loans	373,169	128,370	117,601
Consumer loans, net	27,792	1,114	1,118
Inventories	332,862	98,188	93,458
Income taxes receivable	36,449	—	3,567
Prepaid expenses and other current assets	31,935	5,815	6,330
Investment in common stock of Enova International, Inc.	54,786	—	—
Total current assets	986,057	324,126	325,434
Property and equipment, net	240,749	110,285	112,447
Goodwill	865,350	291,777	295,609
Intangible assets, net	106,502	6,488	6,181
Other non-current assets	69,125	3,521	3,903
Deferred tax assets	9,912	8,322	9,321
Total assets	\$2,277,695	\$744,519	\$752,895
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Accounts payable and accrued liabilities	\$129,997	\$31,589	\$27,826
Customer deposits	37,591	14,540	14,426
Income taxes payable	910	843	3,923
Total current liabilities	168,498	46,972	46,175
Revolving unsecured credit facilities	360,000	68,500	58,000
Senior unsecured notes	196,373	195,712	195,874
Deferred tax liabilities	42,125	20,033	21,464
Other liabilities	77,645	—	—
Total liabilities	844,641	331,217	321,513
Stockholders' equity:			
Preferred stock	—	—	—
Common stock	493	399	403
Additional paid-in capital	1,217,820	192,787	202,393
Retained earnings	359,926	624,194	643,604
Accumulated other comprehensive loss	(109,114 )	(75,470 )	(78,410 )
Common stock held in treasury, at cost	(36,071 )	(328,608 )	(336,608 )
Total stockholders' equity	1,433,054	413,302	431,382
Total liabilities and stockholders' equity	\$2,277,695	\$744,519	\$752,895

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

1

---

Table of Contents

## FIRSTCASH, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(unaudited, in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenue:				
Retail merchandise sales	\$ 152,215	\$ 104,937	\$ 386,534	\$ 321,016
Pawn loan fees	79,505	49,882	182,816	146,119
Consumer loan and credit services fees	10,477	6,995	21,079	21,300
Wholesale scrap jewelry revenue	18,956	7,718	35,906	24,743
Total revenue	261,153	169,532	626,335	513,178
Cost of revenue:				
Cost of retail merchandise sold	93,399	64,875	239,166	198,757
Consumer loan and credit services loss provision	3,413	2,368	5,780	5,074
Cost of wholesale scrap jewelry sold	16,977	6,847	30,701	21,088
Total cost of revenue	113,789	74,090	275,647	224,919
Net revenue	147,364	95,442	350,688	288,259
Expenses and other income:				
Store operating expenses	80,574	50,995	190,563	155,062
Administrative expenses	24,500	11,733	58,277	39,065
Merger and other acquisition expenses	29,398	—	33,877	1,175
Depreciation and amortization	7,281	4,637	17,165	13,651
Goodwill impairment - U.S. consumer loan operations	—	7,913	—	7,913
Interest expense	5,073	4,336	13,859	12,482
Interest income	(138 )	(406 )	(636 )	(1,143 )
Loss on sale of common stock of Enova International, Inc.	253	—	253	—
Total expenses and other income	146,941	79,208	313,358	228,205
Income before income taxes	423	16,234	37,330	60,054
Provision for income taxes	1,835	5,061	13,895	18,754
Net income (loss)	\$(1,412 )	\$ 11,173	\$ 23,435	\$ 41,300
Net income (loss) per share:				
Basic	\$(0.04 )	\$ 0.40	\$ 0.77	\$ 1.46
Diluted	\$(0.04 )	\$ 0.40	\$ 0.77	\$ 1.45
Dividends declared per common share	\$ 0.125	\$ —	\$ 0.375	\$ —

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		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Net income (loss)	\$(1,412 )	\$11,173	\$23,435	\$41,300
Other comprehensive income (loss):				
Currency translation adjustment	(12,248 )	(21,536 )	(28,951 )	(35,192 )
Change in fair value of investment in common stock of Enova International, Inc., net <sup>(1)</sup>	(1,753 )	—	(1,753 )	—
Comprehensive income (loss)	\$(15,413)	\$(10,363)	\$(7,269)	\$6,108

<sup>(1)</sup> Net of tax benefit of \$1,031 for the three and nine months ended September 30, 2016.

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

(unaudited, in thousands)

	Preferred	Common	Additional Paid-In Capital	Retained Earnings	Accum- ulated Other Compre- hensive Loss	Common Stock Held in Treasury		Total Stock- holders' Equity	
	Stock	Stock				Shares	Amount		Shares
Balance at 12/31/2015	—\$	—40,288	\$ 403	\$ 202,393	\$ 643,604	\$(78,410 )	12,052	\$(336,608)	\$ 431,382
Shares issued under share-based com-pensation plan	—	7	—	(3,903 )	—	—	(83 )	3,903	—
Shares issued upon merger with Cash America	—	20,181	202	1,015,305	—	—	—	—	1,015,507
Share-based compensa-tion expense	—	—	—	4,025	—	—	—	—	4,025
Net income	—	—	—	—	23,435	—	—	—	23,435
Dividends paid	—	—	—	—	(10,591 )	—	—	—	(10,591 )
Change in fair value of investment in common stock of Enova International, Inc., net of tax	—	—	—	—	—	(1,753 )	—	—	(1,753 )
Currency translation adjustment	—	—	—	—	—	(28,951 )	—	—	(28,951 )
Retirement of treasury stock	—	(11,200)	(112 )	—	(296,522 )	—	(11,200)	296,634	—
Balance at 9/30/2016	—\$	—49,276	\$ 493	\$ 1,217,820	\$ 359,926	\$(109,114)	769	\$(36,071 )	\$ 1,433,054

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 Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accum- ulated Other Compre- hensive Loss	Common Stock Held in Treasury	Total Stock- holders' Equity			
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at 12/31/2014	—	\$ —	39,708	\$ 397	\$ 188,062	\$ 582,894	\$(40,278)	11,200	\$(296,634)	\$ 434,441
Shares issued under share-based com-pensation plan	—	—	5	—	—	—	—	—	—	—
Exercise of stock options	—	—	145	2	2,899	—	—	—	—	2,901
Income tax benefit from exercise of stock options	—	—	—	—	1,617	—	—	—	—	1,617
Share-based compensation expense	—	—	—	—	209	—	—	—	—	209
Net income	—	—	—	—	41,300	—	—	—	—	41,300
Currency translation adjustment	—	—	—	—	—	—	(35,192 )	—	—	(35,192 )
Purchases of treasury stock	—	—	—	—	—	—	—	661	(31,974 )	(31,974 )
Balance at 9/30/2015	—	\$ —	39,858	\$ 399	\$ 192,787	\$ 624,194	\$(75,470)	11,861	\$(328,608)	\$ 413,302

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)

	Nine Months Ended September 30,	
	2016	2015
Cash flow from operating activities:		
Net income	\$23,435	\$41,300
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Non-cash portion of credit loss provision	2,368	466
Share-based compensation expense	4,025	209
Loss on sale of common stock of Enova International, Inc.	253	—
Depreciation and amortization expense	17,165	13,651
Amortization of debt issuance costs	1,083	715
Amortization of above/below market leases, net	(58 )	—
Impairment of goodwill - U.S. consumer loan operations	—	7,913
Deferred income taxes, net	8,665	2,293
Changes in operating assets and liabilities, net of business combinations:		
Pawn fees and service charges receivable	(2,630 )	(2,203 )
Merchandise inventories	(4,924 )	(3,310 )
Prepaid expenses and other assets	1,774	(1,731 )
Accounts payable, accrued expenses and other liabilities	2,990	4,428
Income taxes payable	(13,672 )	1,391
Net cash flow provided by operating activities	40,474	65,122
Cash flow from investing activities:		
Loan receivables, net of cash repayments	(31,486 )	(22,299 )
Purchases of property and equipment	(23,426 )	(15,528 )
Portion of aggregate merger consideration paid in cash, net of cash acquired	(8,251 )	—
Acquisitions of pawn stores, net of cash acquired	(28,756 )	(33,015 )
Proceeds from sale of common stock of Enova International, Inc.	2,962	—
Net cash flow used in investing activities	(88,957 )	(70,842 )
Cash flow from financing activities:		
Borrowings from revolving credit facilities	396,000	82,055
Repayments of revolving credit facilities	(94,000 )	(35,955 )
Repayments of debt assumed with merger and other acquisitions	(238,532)	—
Debt issuance costs paid	(2,340 )	—
Purchases of treasury stock	—	(31,974 )
Proceeds from exercise of share-based compensation awards	—	2,901
Income tax benefit from exercise of stock options	—	1,617
Dividends paid	(10,591 )	—
Net cash flow provided by financing activities	50,537	18,644
Effect of exchange rates on cash	(5,652 )	(8,393 )
Change in cash and cash equivalents	(3,598 )	4,531
Cash and cash equivalents at beginning of the period	86,954	67,992
Cash and cash equivalents at end of the period	\$83,356	\$72,523

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)

(Dollars 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, 2015, 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”). 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, 2015, filed with the Securities and Exchange Commission (the “SEC”) on February 17, 2016. The condensed consolidated financial statements as of September 30, 2016 and 2015, and for the three month and nine month periods ended September 30, 2016 and 2015, are unaudited, but in management’s opinion include all adjustments (consisting of only normal recurring adjustments) considered necessary to present fairly the financial position, results of operations and cash flow for such interim periods. Operating results for the periods ended September 30, 2016 are not necessarily indicative of the results that may be expected for the full fiscal year.

On September 1, 2016, the Company completed its previously announced merger with Cash America International, Inc. (“Cash America”), whereby Cash America merged with and into a wholly owned subsidiary of the Company (the “Merger”). Following the Merger, the Company changed its name from First Cash Financial Services, Inc. to FirstCash, Inc. The accompanying unaudited condensed consolidated statements of income for the three month and nine month periods ended September 30, 2016 include the results of operations for Cash America for the period September 2, 2016 to September 30, 2016. The accompanying unaudited condensed consolidated balance sheet at September 30, 2016 includes the preliminary valuation of the assets acquired and liabilities assumed. See Note 2 for additional information about the Merger.

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

A small component of the Company’s business includes the offering of check cashing services through franchised check cashing centers, for which the Company receives franchise fees. In addition, in some of its Company-operated lending locations, the Company offers check cashing services, as well as prepaid debit cards that are issued and serviced through a third party.

The Company has significant operations in Mexico and Guatemala to a lesser extent, where 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. Revenue and expenses are translated at the average exchange rates occurring during the three month and nine month periods ended

September 30, 2016 and 2015. The Company also has operations in El Salvador where the reporting and functional currency is the U.S. dollar.

#### Significant Accounting Policies

Other than as described below, there have been no material changes to significant accounting policies previously reported in the Company's 2015 annual report on Form 10-K. These policies have been added or amended due to the Merger.

Investment in common stock of Enova International, Inc. - As a result of the Merger, the Company holds an investment in common stock of Enova International, Inc. ("Enova"), a publicly traded company focused on providing online consumer lending products. The shares of Enova common stock held by the Company are classified as available-for-sale, and unrealized gains and losses, net of tax, are accumulated in other comprehensive income (loss) as a separate component of stockholders' equity. These shares are

## Table of Contents

carried on the condensed consolidated balance sheet as of September 30, 2016 based on the market-determined stock price of Enova.

The Company evaluates its investment in common stock of Enova for impairment if circumstances arise that indicate that an impairment may exist. If an impairment is determined to be other-than-temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary-impairment is identified.

Credit loss provisions - The Company has determined no allowance related to credit losses on pawn loans is required as the fair value of the pledged collateral is significantly in excess of the pawn loan amount. The Company maintains an allowance for credit losses on consumer loans on an aggregate basis at a level it considers sufficient to cover estimated losses in the collection of its consumer loans. The allowance for credit losses is based primarily upon historical credit loss experience, with consideration given to recent credit loss trends and changes in loan characteristics (e.g., average amount financed and term), delinquency levels, collateral values, economic conditions and underwriting and collection practices. The allowance for credit losses is periodically reviewed by management with any changes reflected in current operations.

The Company fully reserves or charges off consumer loans once the loan has been classified as delinquent for 60 days. Short-term loans are considered delinquent when payment of an amount due is not made as of the due date. Installment loans are considered delinquent when a customer misses two payments. If a loan is estimated to be uncollectible before it is fully reserved, it is charged off at that point. Recoveries on loans previously charged to the allowance, including the sale of delinquent loans to unaffiliated third parties, are credited to the allowance when collected or when sold to a third party. The Company generally does not accrue interest on delinquent consumer loans. In addition, delinquent consumer loans generally may not be renewed, and if, during its attempt to collect on a delinquent consumer loan, the Company allows additional time for payment through a payment plan or a promise to pay, it is still considered delinquent. Generally, all payments received are first applied against accrued but unpaid interest and fees and then against the principal balance of the loan.

The Company offers a fee-based credit services organization program (“CSO Program”) to assist consumers in Texas and Ohio markets in obtaining extensions of credit. The Company’s consumer loan stores and select pawn stores in Texas and Ohio offer the CSO Program and credit services are also offered via an internet platform for Texas residents. Under the CSO Program, the Company assists customers in applying for a short-term extension of credit from an independent, non-bank, consumer lending company (the “Independent Lender”) and issues the Independent Lender a letter of credit to guarantee the repayment of the extension of credit. These letters of credit constitute a guarantee for which the Company is required to recognize, at the inception of the guarantee, a liability for the fair value of the obligation undertaken by issuing the letters of credit. According to the letter of credit, if the borrower defaults on the extension of credit, the Company will pay the Independent Lender the principal, accrued interest, insufficient funds and late fee, if applicable, all of which the Company records as a component of its credit loss provision. The Company is entitled to seek recovery, directly from its customers, of the amounts it pays the Independent Lender in performing under the letters of credit. The Company records the estimated fair value of the liability under the letters of credit in accrued liabilities. The estimated fair value of the liability under the letters of credit is periodically reviewed by management with any changes reflected in current operations.

## Revisions and Reclassifications

Certain amounts for the periods ended September 30, 2015 and December 31, 2015 have been reclassified in order to conform to the 2016 presentation. See “—Recent accounting pronouncements” below regarding the impact of the Company’s adoption of ASU No. 2015-03, “Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”) on the classification of debt issuance costs in the Company’s

condensed consolidated balance sheets. In addition, after the impact of the revision to deferred tax assets described below, the Company's adoption of ASU No. 2015-17 "Balance Sheet Classification of Deferred Taxes" at December 31, 2015 resulted in a \$6,632 decrease in current deferred tax assets, a \$26,665 increase in non-current deferred tax assets and a \$20,033 increase in non-current deferred tax liabilities in the accompanying condensed consolidated balance sheets as of September 30, 2015.

The Company revised certain previously reported amounts for the three and nine months ended September 30, 2015 for the correction of prior period errors. ASC 740 "Income Taxes," provides an exception to recording deferred tax attributes associated with foreign currency translation adjustments, which are recorded in comprehensive income. In July 2013, the Company terminated an election to include foreign subsidiaries in its consolidated U.S. federal income tax return and it is the Company's intent to indefinitely reinvest the earnings of these subsidiaries outside the U.S. The Company had incorrectly recorded a deferred tax asset on these accumulated foreign currency translation adjustments in prior periods. The correction of the error resulted in a reduction in comprehensive income of \$7,538 and \$12,318 for the three and nine months ended September 30, 2015, respectively, and a decrease in deferred tax assets with a corresponding increase in accumulated other comprehensive loss of \$26,428 as of September 30, 2015, but had no impact on the Company's condensed consolidated statements of income or cash flows. In addition, see Note



Table of Contents

9 for a description of revisions made to the condensed consolidating guarantor financial statements. The Company has evaluated the effects of these errors, both qualitatively and quantitatively, and concluded that they did not have a material impact on any previously issued financial statements.

## 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 disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In August 2015, the Financial Accounting Standards Board issued ASU 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 May 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”) and ASU No. 2016-12, “Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients” (“ASU 2016-12”). ASU 2016-08, ASU 2016-10 and ASU 2016-12 clarify certain aspects of ASU 2014-09 and provide additional implementation guidance. ASU 2014-09, ASU 2016-08, ASU 2016-10 and ASU 2016-12 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 and ASU 2016-12 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 and ASU 2016-12 on its consolidated financial statements.

In April 2015, the Financial Accounting Standards Board issued ASU No. 2015-03, which requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. In August 2015, the Financial Accounting Standards Board issued ASU No. 2015-15, which clarified the guidance in ASU 2015-03 regarding presentation and subsequent measurement of debt issuance costs related to line-of-credit arrangements. The SEC Staff announced they would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line of credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. ASU 2015-03 requires retrospective application and represents a change in accounting principle. ASU 2015-03 became effective for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years. The adoption of ASU 2015-03 resulted in a \$3,627, \$4,288 and \$4,126 decrease in other non-current assets and senior unsecured notes in the accompanying condensed consolidated balance sheets as of September 30, 2016, 2015 and December 31, 2015, respectively. The Company elected to present debt issuance costs related to the Company’s revolving unsecured credit facilities as an asset as allowed in ASU 2015-15.

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

Company's current financial position, results of operations or financial statement disclosures.

In 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 March 2016, the Financial Accounting Standards Board issued ASU No. 2016-09, "Compensation-Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). Under ASU 2016-09, companies will no longer record excess tax benefits and certain tax deficiencies in additional paid-in capital ("APIC"). Instead, they will record all

Table of Contents

excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement and the APIC pools will be eliminated. In addition, ASU 2016-09 eliminates the requirement that excess tax benefits be realized before companies can recognize them. ASU 2016-09 also requires companies to present excess tax benefits as an operating activity on the statement of cash flows rather than as a financing activity. Furthermore, ASU 2016-09 will increase the amount an employer can withhold to cover income taxes on awards and still qualify for the exception to liability classification for shares used to satisfy the employer's statutory income tax withholding obligation. An employer with a statutory income tax withholding obligation will now be allowed to withhold shares with a fair value up to the amount of taxes owed using the maximum statutory tax rate in the employee's applicable jurisdiction(s). ASU 2016-09 requires a company to classify the cash paid to a tax authority when shares are withheld to satisfy its statutory income tax withholding obligation as a financing activity on the statement of cash flows. Under current GAAP, it was not specified how these cash flows should be classified. In addition, companies will now have to elect whether to account for forfeitures on share-based payments by (1) recognizing forfeitures of awards as they occur or (2) estimating the number of awards expected to be forfeited and adjusting the estimate when it is likely to change, as is currently required. ASU 2016-09 is effective for reporting periods beginning after December 15, 2016, with early adoption permitted and requires either prospective or retrospective application depending on the item addressed. The Company early adopted ASU 2016-09 during the third quarter of 2016, which did not have a material effect on the Company's current financial position, results of operations or financial statement disclosures.

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.

Note 2 - Merger and Other Acquisitions

Cash America Merger

On September 1, 2016, the Company completed its previously announced merger of equals business combination with Cash America as contemplated by the Agreement and Plan of Merger, dated as of April 28, 2016 (the "Merger Agreement"), by and among the Company, Cash America, and Frontier Merger Sub LLC, a wholly owned subsidiary of the Company ("Merger Sub"). Pursuant to the Merger Agreement, Cash America merged with and into Merger Sub, with Merger Sub continuing as the surviving entity in the Merger and a wholly owned subsidiary of the Company.

In conjunction with the closing of the Merger, the Company changed its name to FirstCash, Inc. and listed its common stock on the New York Stock Exchange under the ticker symbol "FCFS." The headquarters of the combined company was moved to the former Cash America headquarters in Fort Worth, Texas. The Merger creates the largest combined retail pawn store operator in Latin America and the United States, with over 2,000 locations across four countries. The combined company provides significant scale and a unified platform for leadership in the pawn industry while keeping the strong local presence and established brands from both companies.

Under the terms of the Merger Agreement, each former share of Cash America common stock issued and outstanding immediately prior to September 1, 2016 was converted to 0.84 shares of the Company's common stock with fractional shares paid in cash. As a result, the Company issued approximately 20,181,000 shares of its common stock to former holders of Cash America common stock. Immediately following the Merger, the Company's shareholders owned approximately 58% of the common stock of the Company, and the former Cash America shareholders owned approximately 42%. Additionally, Cash America employee and director based restricted stock awards outstanding immediately prior to the Merger were fully-vested and paid out in cash in conjunction with the closing of the Merger. The Company was determined to be the accounting acquirer in the Merger.

Table of Contents

The following table summarizes the consideration transferred in connection with the merger:

	Cash America Merger
Cash America shares outstanding at September 1, 2016 (in thousands)	24,025
Exchange ratio	0.84
Shares of First Cash common stock issued (in thousands)	20,181
Company common stock per share price at September 1, 2016	\$50.32
Fair value of Company common stock issued to Cash America shareholders	\$1,015,507
Cash in lieu of fractional shares paid by the Company	10
Cash America outstanding stock awards settled in cash	50,760
Aggregate merger consideration	\$1,066,277

The Company has performed a preliminary valuation analysis of identifiable assets acquired and liabilities assumed and allocated the aggregate merger consideration based on the preliminary fair values of those identifiable assets and liabilities. The preliminary purchase price allocation is subject to change as the Company completes 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 12-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 preliminary allocation of the aggregate merger consideration is as follows:

	Cash America Merger
Cash and cash equivalents	\$42,520
Pawn loans	234,761
Pawn loan fees and service charges receivable	26,893
Consumer loans, net	27,549
Inventory	224,948
Income taxes receivable	23,095
Other current assets	27,018
Investment in common stock of Enova International, Inc.	60,785
Property and equipment	119,414
Goodwill <sup>(1)</sup>	555,096
Intangible assets <sup>(2)</sup>	102,000
Other non-current assets	62,993
Current liabilities <sup>(3)</sup>	(96,080 )
Customer deposits	(21,536 )
Revolving unsecured credit facility <sup>(4)</sup>	(232,000 )
Deferred tax liabilities	(13,517 )
Other liabilities	(77,662 )
Aggregate merger consideration	\$1,066,277

The goodwill is attributable to the excess of the aggregate merger consideration over the fair value of the net tangible and intangible assets acquired and liabilities assumed and is considered to represent the synergies and

<sup>(1)</sup> economies of scale expected from combining the operations of the Company and Cash America. This goodwill has been assigned to the U.S. pawn operations reporting unit. Approximately \$223,000 of the goodwill arising from the Merger is expected to be deductible for U.S. income tax purposes.

(2) Intangible assets acquired and the respective useful lives assigned consist of the following:

11

---

Table of Contents

	Amount	Useful life (in years)
Trade names	\$46,300	Indefinite
Pawn licenses	32,300	Indefinite
Customer relationships	14,700	Five
Non-compete agreements	8,700	Two
	\$102,000	

The customer relationships are being amortized using an accelerated amortization method that reflects the future cash flows expected from the returning pawn customers of Cash America. The non-compete agreements are being amortized over a straight-line basis over the life of the non-compete agreements. As the trade names and pawn licenses have indefinite lives, they are not amortized.

(3) Includes acquired contingent liabilities of approximately \$21,500.

(4) Represents outstanding borrowings under Cash America's revolving unsecured credit facility that became due upon completion of the Merger. The Cash America revolving unsecured credit facility was repaid by the Company using proceeds from the 2016 Credit Facility (as described in Note 6) and was terminated upon completion of the Merger.

Transaction costs associated with the Merger are being expensed as incurred and are presented in the condensed consolidated statements of income as merger and other acquisition expenses. These expenses include investment banking, legal, accounting, and other related third party costs associated with the Merger, including preparation for regulatory filings and shareholder approvals. See Note 4 for further information about merger and other acquisition expenses.

#### Other Acquisitions

The Company completed other acquisitions during the nine months ended September 30, 2016, as described below, consistent with its strategy to continue its expansion of pawn stores in selected markets. The purchase price of each acquisition was allocated to assets and liabilities acquired based upon their estimated fair market values at the date of acquisition. The excess purchase price over the estimated fair market value of the net assets acquired has been recorded as goodwill. The goodwill arising from these acquisitions consists largely of the synergies and economies of scale expected from combining the operations of the Company and the pawn stores acquired.

The Company acquired the operating entity owning the pawn loans, inventory, layaways and other operating assets and liabilities of 166 pawn stores located in Mexico on January 6, 2016 and the assets of 13 pawn stores located in El Salvador on February 2, 2016 in related transactions (collectively the "Latin America Acquisition"). The combined purchase price for the all-cash transaction was \$30,123, net of cash acquired before certain post-closing adjustments. Subsequent to the acquisition, \$229 of post closing adjustments were identified, resulting in a combined purchase price of \$29,894, net of cash acquired and is subject to further post-closing adjustments. The purchase was composed of \$27,357 in cash paid during the nine months ended September 30, 2016 and remaining payables to the sellers of approximately \$2,537. In addition, the Company assumed approximately \$6,630 in peso-denominated debt from these acquisitions which was repaid in full by the Company in January 2016. The estimated fair values of the assets acquired and liabilities assumed are preliminary, as the Company is gathering information to finalize the valuation of these assets and liabilities. The assets, liabilities and results of operations of the locations are included in the Company's consolidated results as of the acquisition dates.

During the nine months ended September 30, 2016, one pawn store located in the U.S. was acquired by the Company ("U.S. Acquisition") for an all-cash aggregate purchase price of \$824, net of cash acquired. During the nine months

ended September 30, 2016, the Company also paid \$575 of deferred purchase price amounts payable related to prior-year acquisitions.



Table of Contents

The preliminary allocations of the purchase prices for the Company's other acquisitions during the nine months ended September 30, 2016 (the "2016 Acquisitions") are as follows:

	Latin America Acquisition	U.S. Acquisition	Total
Pawn loans	\$ 10,586	\$ 138	\$10,724
Pawn loan fees and service charges receivable	885	6	891
Inventory	3,031	98	3,129
Other current assets	2,039	—	2,039
Property and equipment	6,950	10	6,960
Goodwill <sup>(1)</sup>	19,666	580	20,246
Intangible assets <sup>(2)</sup>	405	16	421
Other non-current assets	512	—	512
Deferred tax assets	2,392	—	2,392
Current liabilities	(9,942 )	(24 )	(9,966 )
Notes payable	(6,630 )	—	(6,630 )
Purchase price	\$ 29,894	\$ 824	\$30,718

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

<sup>(1)</sup> However, the goodwill for the Latin America Acquisition is not expected to be deductible for Mexico and El Salvador income tax purposes.

<sup>(2)</sup> Intangible assets primarily consist of customer relationships, which are generally amortized over five years.

During the nine months ended September 30, 2016, revenue from the Merger and the 2016 Acquisitions since the respective closing dates was \$112,185. During the nine months ended September 30, 2016, the net earnings from the Merger and the 2016 Acquisitions since the acquisition dates (excluding acquisition and integration costs) was \$13,184. Combined transaction and integration costs related to the Merger and 2016 Acquisitions were \$33,877, which are further described in Note 4.

The following unaudited pro forma financial information reflects the consolidated results of operations of the Company as if the Merger and the 2016 Acquisitions had occurred on January 1, 2015:

	Nine Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	As Reported	Pro Forma	As Reported	Pro Forma
Total revenue	\$626,335	\$1,308,967	\$513,178	\$1,304,906
Net income	23,435	80,556	41,300	34,291
Net income per share:				
Basic	\$0.77	\$1.66	\$1.46	\$0.71
Diluted	0.77	1.66	1.45	0.71

Pro forma adjustments are included only to the extent they are directly attributable to the Merger and 2016 Acquisitions. The unaudited pro forma results have been adjusted with respect to certain aspects of the Merger and 2016 Acquisitions primarily to reflect:

•

depreciation and amortization expense that would have been recognized assuming fair value adjustments to the existing tangible and intangible assets acquired and liabilities assumed;

interest expense based on a lower combined weighted-average interest rate on borrowings (see Note 6 - Long-Term Debt) partially offset by an increase in total indebtedness primarily incurred to finance certain cash payments and transaction costs related to the Merger;

the elimination of losses on extinguishment of debt recognized in Cash America's historical financial statements as the related debt was terminated upon completion of the Merger; and

the inclusion in the pro forma nine months ended September 30, 2015 of \$66,324 in merger and other acquisition expenses incurred by both the acquirees and acquirer (excluded from the pro forma nine months ended September 30, 2016).

Table of Contents

The unaudited pro forma financial information has been prepared for informational purposes only and does not include any anticipated synergies or other potential benefits of the Merger or 2016 Acquisitions. It also does not give effect to certain future charges that the Company expects to incur in connection with the Merger and 2016 Acquisitions, including, but not limited to, additional professional fees, legal expenses, severance, retention and other employee-related costs, contract breakage costs and costs related to consolidation of technology systems and corporate facilities. The unaudited pro forma information is based on the Company's preliminary valuation analysis of identifiable assets acquired and liabilities assumed and therefore subject to change. Pro forma results do not purport to be indicative of what would have resulted had the acquisitions occurred on the date indicated or what may result in the future.

## Note 3 - Earnings Per Share

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

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
Numerator:				
Net income (loss)	\$(1,412)	\$11,173	\$23,435	\$41,300
Denominator (in thousands):				
Weighted-average common shares for calculating basic earnings per share	34,631	28,019	30,372	28,206
Effect of dilutive securities:				
Stock options and nonvested awards	—	205	—	212
Weighted-average common shares for calculating diluted earnings per share	34,631	28,224	30,372	28,418
Net income (loss) per share:				
Basic	\$(0.04 )	\$0.40	\$0.77	\$1.46
Diluted	\$(0.04 )	\$0.40	\$0.77	\$1.45

## Note 4 - Merger and Other Acquisition Expenses

The Company has incurred significant expenses in connection with the Merger and integration with Cash America. The merger related expenses are predominantly 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. In addition, the Company has incurred transaction and integration costs in connection with the Company's other acquisitions. The Company presents merger and other acquisition expenses separately in the condensed consolidated statements of income to identify these activities apart from the expenses incurred to operate the business. The table below summarizes the major components of merger and other acquisition expenses:

Table of Contents

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
Merger related expenses:				
Transaction <sup>(1)</sup>	\$ 12,791	\$	-\$17,120	\$—
Severance and retention <sup>(2)</sup>	13,868	—	13,868	—
Other <sup>(3)</sup>	2,739	—	2,739	—
Total merger related expenses	29,398	—	33,727	—
Other acquisition expenses:				
Transaction and integration	—	—	150	1,175
Total other acquisition expenses	—	—	150	1,175
Total merger and other acquisition expenses	\$ 29,398	\$	-\$33,877	\$1,175

For the three month and nine month periods ended September 30, 2016, the Company recognized an income tax <sup>(1)</sup> benefit of \$1,876 and \$3,387, respectively, related to the merger transaction expenses as a significant portion are not deductible for income tax purposes.

For the three month and nine month periods ended September 30, 2016, the Company made severance and <sup>(2)</sup> retention payments of \$9,497 and as of September 30, 2016 had \$4,371 accrued for future payments. Accrued severance and retention is included in accounts payable and accrued expenses in the accompanying condensed consolidated balance sheets.

<sup>(3)</sup> Represents accelerated share-based compensation expense related to restricted stock awards for certain First Cash employees which vested as a result of the Merger.

## Note 5 - Investment in Common Stock of Enova

As a result of the Merger, the Company acquired Cash America's investment in common stock of Enova, a publicly traded company focused on providing online consumer lending products. The shares of Enova common stock held by the Company are classified as available-for-sale, and unrealized gains and losses, net of tax, are accumulated in other comprehensive income (loss) as a separate component of stockholders' equity. These shares are carried on the condensed consolidated balance sheet as of September 30, 2016 based on the market-determined stock price of Enova. Pursuant to a private letter ruling from the Internal Revenue Service obtained by Cash America prior to the Merger, the Company must dispose of the Enova common stock by September 15, 2017.

The Company does not account for its investment in Enova common stock under the equity method for the following reasons. The Company does not have the ability to significantly influence the strategy or the operating or financial policies of Enova. The Company does not share employees or management with Enova and does not participate in any policy-making process of Enova. The Company does not have the right to vote on matters put before Enova stockholders because it has granted Enova a proxy to vote its shares in the same proportion as the other stockholders of Enova on all such matters. In addition, the Company has agreed to divest its ownership in Enova prior to September 15, 2017, as discussed above. While Daniel R. Feehan, the Company's Chairman of the Board, serves as one of nine members of Enova's Board of Directors, he does not serve on any committees of Enova's Board of Directors, and the Company is not able to influence his future election to Enova's Board of Directors because it does not have independent voting power with respect to the shares of Enova that it owns. The Company also does not have any material business relationships with Enova.

Edgar Filing: FIRSTCASH, INC - Form 10-Q

As of September 30, 2016, the Company owned 5,666,000 shares, equal to approximately 17% of the outstanding Enova common stock as of September 30, 2016, with a basis of approximately \$57,570. Based on the market value of the Enova common stock as of September 30, 2016, an unrealized loss of \$1,753, net of tax, was included in accumulated other comprehensive income (loss) for the three month and nine month periods ended September 30, 2016. The Company sold 317,000 shares in open market and small block sales during the same periods, resulting in a loss on sale of \$253. Subsequent to September 30, 2016, the Company sold approximately 1,200,000 additional shares in open market and small block sales.

Table of Contents

## Note 6 - Long-Term Debt

## Senior Unsecured Notes

On March 24, 2014, the Company issued \$200,000 of 6.75% senior notes due on April 1, 2021 (the “Notes”) all of which are currently outstanding. Interest on the Notes is payable semi-annually in arrears on April 1 and October 1. 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 the 2016 Credit Facility (as defined below). The Notes permit the Company to make certain restricted payments, such as purchasing shares of its stock and paying cash dividends, within certain parameters, the most restrictive of which generally limits such restricted payments to 50% of net income, adjusted for certain items as described in the indenture. As of September 30, 2016, 2015 and December 31, 2015, deferred debt issuance costs of \$3,627, \$4,288 and \$4,126, respectively, are included as a direct deduction from the carrying amount of the Notes in the accompanying condensed consolidated balance sheets.

## Revolving Credit Facilities

During the period from January 1, 2016 through September 1, 2016, the Company maintained a revolving line of credit agreement with a group of U.S. based commercial lenders (the “2015 Credit Facility”) in the amount of \$210,000, which was scheduled to mature in October 2020. The 2015 Credit Facility charged interest, at the Company's option, at either (1) the prevailing London Interbank Offered Rate (“LIBOR”) (with interest periods of 1, 2, 3 or 6 months at the Company's option) plus a fixed spread of 2.5% or (2) the prevailing prime or base rate plus a fixed spread of 1.5%.

On September 1, 2016 and in connection with the closing of the Merger, the Company amended and extended the 2015 Credit Facility (as amended, the “2016 Credit Facility”). The total lender commitment under the 2016 Credit Facility increased from \$210,000 to \$400,000 and the number of participating lenders increased from five to eight. Additionally, the term of the 2016 Credit Facility was extended to September 2021, five years from the closing date of the Merger, and is unsecured as the amendment removed the pledge of 65% of the voting equity interests of the Company's first-tier foreign subsidiaries included in the 2015 Credit Facility. Also in connection with the Merger, all of Cash America's previously outstanding 5.75% senior notes due 2018 (the “Cash America Notes”) were redeemed and Cash America's previously outstanding credit agreement and related credit facilities were terminated.

At September 30, 2016, the Company had \$360,000 in outstanding borrowings, which were primarily used to fund the redemption of the Cash America Notes and to refinance all amounts outstanding under Cash America's credit facilities and the 2015 Credit Facility, and \$5,956 in outstanding letters of credit under the 2016 Credit Facility leaving \$34,044 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 2015 Credit Facility at September 30, 2016 was 3.06% based on 30-day LIBOR. Under the terms of the 2016 Credit Facility, the Company is required to maintain certain financial ratios and comply with certain financial covenants and allows the Company to make certain restricted payments, such as purchasing shares of its stock, within certain parameters provided the Company maintains compliance with those financial ratios and covenants after giving effect to such restricted payments. The Company was in compliance with the requirements and covenants of the 2016 Credit Facility as of September 30, 2016. During the nine months ended September 30, 2016, the Company received net proceeds of \$302,000 from borrowings pursuant to the 2015 Credit Facility and 2016 Credit Facility.

At September 30, 2016, the Company maintained a 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 September 30, 2016. The Company is required to pay a one-time commitment fee of \$25 due when the first amount is drawn/borrowed. At September 30, 2016, the Company had no amount outstanding under the Mexico Credit Facility and \$10,000 was available for borrowings.

Table of Contents

## Note 7 - 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, the Company did not have any financial assets or liabilities that were measured at fair value on a recurring basis. The Company's financial assets that are measured at fair value on a recurring basis as of September 30, 2016 are as follows:

	September Fair Value			
	30, 2016	Measurements	Using	
Financial assets:		Level 1	Level 2	Level 3
Cash America nonqualified savings plan-related assets	\$ 12,229	\$ 12,229	\$ —	—
Investment in common stock of Enova	54,786	54,786	—	—
	\$ 67,015	\$ 67,015	\$ —	—

Prior to the Merger, Cash America had a nonqualified savings plan that was available to certain members of management whereby participants could contribute up to 100% of their annual bonus and up to 50% of their other eligible compensation to the plan. Upon completion of the Merger, the nonqualified savings plan was terminated and the Company is in the process of dissolving the plan and distributing the remaining assets to the participants. These assets include marketable equity securities, which are classified as Level 1 and the fair values are based on quoted market prices. The nonqualified savings plan assets are included in prepaid expenses and other current assets in the accompanying condensed consolidated balance sheets with an offsetting liability of equal amount, which is included in accounts payable and accrued expenses in the accompanying condensed consolidated balance sheets. The Company's investment in common stock of Enova represents the Company's available-for-sale shares of Enova common stock. See Note 5 for further information. As of September 30, 2016, the equity securities representing Enova common stock were classified as Level 1 and based on the market determined stock price of Enova. During the nine months ended September 30, 2016, there were no transfers of assets in or out of Level 1 or Level 2 fair value measurements.

## 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 September 30, 2016, 2015 and December 31, 2015 that are not measured at fair value in the condensed consolidated balance sheets are as follows:





Table of Contents

	Carrying Value	Estimated Fair Value	Fair Value Measurements		
	September 30, 2016	September 30, 2016	Using Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	\$83,356	\$83,356	\$83,356	\$—	\$—
Pawn loans	373,169	373,169	—	—	373,169
Consumer loans, net	27,792	27,792	—	—	27,792
Pawn loan fees and service charges receivable	45,708	45,708	—	—	45,708
	\$530,025	\$530,025	\$83,356	\$—	\$446,669
Financial liabilities:					
Revolving unsecured credit facilities	360,000	360,000	—	360,000	—
Senior unsecured notes, outstanding principal	200,000	210,000	—	210,000	—
	\$560,000	\$570,000	\$—	\$570,000	\$—
	Carrying Value	Estimated Fair Value	Fair Value Measurements		
	September 30, 2015	September 30, 2015	Using Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	\$72,523	\$72,523	\$72,523	\$—	\$—
Pawn loans	128,370	128,370	—	—	128,370
Consumer loans, net	1,114	1,114	—	—	1,114
Pawn loan fees and service charges receivable	18,116	18,116	—	—	18,116
	\$220,123	\$220,123	\$72,523	\$—	—\$147,600
Financial liabilities:					
Revolving unsecured credit facilities	68,500	68,500	—	68,500	—
Senior unsecured notes, outstanding principal	200,000	201,000	—	201,000	—