EZCORP INC
Form 10-Q
November 09, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2015

or

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

For the transition period from to

Commission File No. 0-19424

EZCORP, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	74-2540145 (I.R.S. Employer Identification No.)
2500 Bee Cave Road, Building 1, Suite 200 Rollingwood, Texas (Address of principal executive offices)	78746 (Zip Code)

(512) 314-3400
Registrant's telephone number, including area code:

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 x 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 x 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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	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 x

APPLICABLE ONLY TO CORPORATE ISSUERS:
The only class of voting securities of the registrant issued and outstanding is the Class B Voting Common Stock, par value $.01 per share, all of which is owned by an affiliate of the registrant. There is no trading market for the Class B Voting Common Stock.
As of March 31, 2015, 51,849,933 shares of the registrant's Class A Non-voting Common Stock including redeemable common stock, par value $.01 per share, and 2,970,171 shares of the registrant's Class B Voting Common Stock, par value $.01 per share, were outstanding.

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EXPLANATORY NOTE

Delayed Filing

We delayed the filing of this Quarterly Report on Form 10-Q for the second quarter of fiscal 2015 (ended March 31, 2015) pending the completion of a review and analysis of certain accounting issues relating to our Grupo Finmart loan portfolio. As a result of that review, we have restated our financial statements for the fiscal years ended September 30, 2014, 2013 and 2012 (including the quarterly periods within those years, other than the first quarter of fiscal 2012) and for the first quarter of fiscal 2015 in order to correct certain accounting errors related to our Grupo Finmart loan portfolio.

For discussion of the Grupo Finmart portfolio review, the accounting errors identified and the restatement adjustments applicable to fiscal 2014 and periods prior to September 30, 2014, see “Part II, Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Grupo Finmart Portfolio Review and Restatement” and Notes 2 and 19 of Notes to Consolidated Financial Statements included in "Part II, Item 8 — Financial Statements and Supplementary Data” in our Amended Annual Report on Form 10-K/A for the fiscal year ended September 30, 2014 (the "Amended FY14 Annual Report").

For a description of the restatement adjustments applicable to the first quarter of fiscal 2015, see "Part I, Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Grupo Finmart Portfolio Review and Restatement" and Note 2 of Notes to Interim Condensed Consolidated Financial Statements included in "Part I, Item 1 — Financial Statements" in our Amended Quarterly Report on Form 10-Q/A for the quarter ended December 31, 2014 (the Amended Q115 Quarterly Report").

Internal Control over Financial Reporting

Management reassessed its evaluation of the effectiveness of our internal control over financial reporting as of September 30, 2014, and concluded that a number of deficiencies in the design and operating effectiveness of our internal controls, collectively, represent material weaknesses in our internal control over financial reporting and, therefore, that we did not maintain effective internal control over financial reporting as of September 30, 2014, September 30, 2013 and September 30, 2012. For a description of the material weaknesses identified by management and management’s plan to remediate those material weaknesses, see “Part II, Item 9A — Controls and Procedures” in the Amended FY14 Annual Report.

The information in this Report pertaining to the second quarter and first six months of fiscal 2014 (ended March 31, 2014) and as of September 30, 2014 reflects the restated financial statements for such periods, as set forth in the Amended FY14 Annual Report. The information in this Report pertaining to the first six months of fiscal 2015 reflects the restated financial statements for the first quarter of fiscal 2015, as set forth in the Amended Q115 Quarterly Report.

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PART I — FINANCIAL INFORMATION
Item 1. Financial Statements
EZCORP, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	March 31, 2015	March 31, 2014	September 30, 2014
	(Unaudited)		
Assets:			
Current assets:			
Cash and cash equivalents	$138,173	$32,328	$ 55,325
Restricted cash	47,909	27,244	63,495
Pawn loans	127,929	128,683	162,444
Consumer loans, net	55,529	57,447	63,995
Pawn service charges receivable, net	24,909	24,733	31,044
Consumer loan fees and interest receivable, net	13,063	15,870	12,647
Inventory, net	116,144	128,094	138,175
Deferred tax asset	24,428	15,302	17,572
Prepaid income taxes	52,234	35,134	57,069
Receivables, prepaid expenses and other current assets	32,383	38,364	33,097
Total current assets	632,701	503,199	634,863
Investment in unconsolidated affiliate	94,510	88,685	91,781
Property and equipment, net	102,252	111,419	105,900
Restricted cash, non-current	2,880	3,309	5,070
Goodwill	344,931	435,048	346,577
Intangible assets, net	61,107	68,873	66,086
Non-current consumer loans, net	79,860	83,325	85,004
Deferred tax asset	10,785	9,642	12,142
Other assets, net	60,041	29,644	63,121
Total assets (1)(3)	$1,389,067	$1,333,144	$ 1,410,544
Liabilities, temporary equity and stockholders' equity:			
Current liabilities:			
Current maturities of long-term debt	$71,471	$20,889	$ 36,111
Current capital lease obligations	93	533	418
Accounts payable and other accrued expenses	89,711	70,643	94,993
Other current liabilities	6,230	12,121	8,595
Customer layaway deposits	10,484	8,986	8,097
Total current liabilities	177,989	113,172	148,214
Long-term debt, less current maturities	356,393	224,379	392,054
Long-term capital lease obligations	—	106	—
Deferred gains and other long-term liabilities	7,673	21,810	15,172
Total liabilities (2)(4)	542,055	359,467	555,440
Commitments and contingencies			
Temporary equity:			
Class A Non-voting Common Stock, subject to possible redemption at $10.06 per share; 1,168,456 shares issued and outstanding at redemption	11,696	—	—

value as of March 31, 2015; and none as of March 31, 2014 and September 30, 2014			
Redeemable noncontrolling interest	16,827	43,717	22,800
Total temporary equity	28,523	43,717	22,800
Stockholders’ equity:			
Class A Non-voting Common Stock, par value $.01 per share; shares authorized: 100 million as of March 31, 2015 and 2014 and September 30, 2014; issued and outstanding: 50,681,477 as of March 31, 2015; 51,411,973 as of March 31, 2014; and 50,614,767 as of September 30, 2014	506	513	506
Class B Voting Common Stock, convertible, par value $.01 per share; 3 million shares authorized; issued and outstanding: 2,970,171	30	30	30
Additional paid-in capital	329,973	327,066	332,264
Retained earnings	522,541	606,120	509,586
Accumulated other comprehensive loss	(34,561)	(3,769)	(10,082)
EZCORP, Inc. stockholders’ equity	818,489	929,960	832,304
Total liabilities, temporary equity and stockholders’ equity	$1,389,067	$1,333,144	$ 1,410,544

See accompanying notes to interim condensed consolidated financial statements.

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Assets and Liabilities of Consolidated Variable Interest Entities (See Note 17)

(1) Our consolidated assets as of March 31, 2015 and 2014 and September 30, 2014 include the following assets of our consolidated variable interest entities:

	March 31, 2015	March 31, 2014	September 30, 2014
	(Unaudited)		
	(in thousands)		
Restricted cash	$2,084	$3	$ 1,921
Consumer loans, net	14,826	5,702	16,465
Consumer loan fees and interest receivable, net	3,577	1,543	3,058
Non-current consumer loans, net	32,511	12,941	35,780
Total assets	$52,998	$20,189	$ 57,224

(2) Our consolidated liabilities as of March 31, 2015 and 2014 and September 30, 2014 include the following liabilities of our consolidated variable interest entities:

	March 31, 2015	March 31, 2014	September 30, 2014
	(Unaudited)		
	(in thousands)		
Accounts payable and other accrued expenses	$3,153	$632	$ 2,105
Current maturities of long-term debt	48,246	6,661	25,438
Long-term debt, less current maturities	51,854	10,125	35,624
Total liabilities	$103,253	$17,418	$ 63,167

Assets and Liabilities of Grupo Finmart Securitization Trust

(3) Our consolidated assets as of March 31, 2015 and 2014 and September 30, 2014 include the following assets of Grupo Finmart's Securitization trust that can only be used to settle its liabilities:

	March 31, 2015	March 31, 2014	September 30, 2014
	(Unaudited)		
		(in thousands)	
Restricted cash	$21,835	$17,813	$23,592
Consumer loans, net	34,803	42,219	41,588
Consumer loan fees and interest receivable, net	5,182	6,178	5,489
Restricted cash, non-current	119	5,805	133
Other assets, net	2,310	2,430	2,847
Total assets	$64,249	$74,445	73,649

(4) Our consolidated liabilities as of March 31, 2015 and 2014 and September 30, 2014 include the following liabilities for which the creditors of Grupo Finmart's securitization trust do not have recourse to the general credit of EZCORP, Inc.:

	March 31, 2015	March 31, 2014	September 30, 2014
	(Unaudited)		

		(in thousands)	
Long-term debt, less current maturities	$47,826	$55,715	$54,045

See accompanying notes to interim condensed consolidated financial statements.

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EZCORP, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
	(Unaudited) (in thousands, except per share amounts)			
Revenues:				
Merchandise sales	$107,852	$103,454	$217,491	$209,041
Jewelry scrapping sales	18,399	26,193	36,933	53,896
Pawn service charges	59,470	59,162	124,397	123,295
Consumer loan fees and interest	54,441	54,777	113,288	109,981
Other revenues	1,195	1,545	2,066	2,674
Total revenues	241,357	245,131	494,175	498,887
Merchandise cost of goods sold	72,492	64,223	144,970	128,364
Jewelry scrapping cost of goods sold	14,354	20,111	29,029	40,131
Consumer loan bad debt	12,106	10,876	34,156	29,064
Net revenues	142,405	149,921	286,020	301,328
Operating expenses (income):				
Operations	100,290	101,107	203,984	206,468
Administrative	10,849	19,996	19,201	35,720
Depreciation	7,699	7,414	15,272	14,754
Amortization	1,368	1,393	2,825	2,758
Loss (gain) on sale or disposal of assets	626	87	885	(6,203)
Restructuring	726	—	726	—
Total operating expenses	121,558	129,997	242,893	253,497
Operating income	20,847	19,924	43,127	47,831
Interest expense	11,296	6,114	23,330	11,165
Interest income	(514)	(155)	(1,046)	(352)
Equity in net loss (income) of unconsolidated affiliates	3,678	(492)	1,484	(1,763)
Impairment of investments	—	7,940	—	7,940
Other expense	1,859	442	2,618	274
Income from continuing operations before income taxes	4,528	6,075	16,741	30,567
Income tax expense	1,327	852	4,905	5,675
Income from continuing operations, net of tax	3,201	5,223	11,836	24,892
Loss from discontinued operations, net of tax	(2,764)	(634)	(1,721)	(3,369)
Net income	437	4,589	10,115	21,523
Net loss from continuing operations attributable to redeemable noncontrolling interest	(906)	(1,553)	(2,840)	(3,349)
Net income attributable to EZCORP, Inc.	$1,343	$6,142	$12,955	$24,872
Basic (loss) earnings per share attributable to EZCORP, Inc.:				
Continuing operations	$0.08	$0.12	$0.27	$0.52
Discontinued operations	(0.05)	(0.01)	(0.03)	(0.06)
Basic earnings per share	$0.03	$0.11	$0.24	$0.46
Diluted (loss) earnings per share attributable to EZCORP, Inc.:				
Continuing operations	$0.08	$0.12	$0.27	$0.52

Discontinued operations	(0.05)	(0.01)	(0.03)	(0.06)
Diluted earnings per share	$0.03	$0.11	$0.24	$0.46
Weighted-average shares outstanding:				
Basic	54,184	54,374	53,915	54,353
Diluted	54,212	54,586	53,972	54,583
Net income from continuing operations attributable to EZCORP, Inc.	$4,107	$6,776	$14,676	$28,241
Loss from discontinued operations attributable to EZCORP, Inc.	(2,764)	(634)	(1,721)	(3,369)
Net income attributable to EZCORP, Inc.	$1,343	$6,142	$12,955	$24,872

See accompanying notes to interim condensed consolidated financial statements.

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EZCORP, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
	(Unaudited) (in thousands)			
Net income	$437	$4,589	$10,115	$21,523
Other comprehensive (loss) income:				
Foreign currency translation (loss) gain	(6,698)	(2,142)	(28,219)	2,423
Foreign currency translation reclassification adjustment realized upon impairment	—	375	—	375
Cash flow hedges:				
Unrealized loss before reclassifications	—	(326)	—	(672)
Amounts reclassified from accumulated other comprehensive loss	35	297	387	542
Unrealized holding gain on available-for-sale arising during period	—	626	—	617
Income tax (expense) benefit	(199)	480	220	(383)
Other comprehensive (loss) income, net of tax	(6,862)	(690)	(27,612)	2,902
Comprehensive (loss) income	$(6,425)	$3,899	$(17,497)	$24,425
Attributable to redeemable noncontrolling interest:				
Net loss	(906)	(1,553)	(2,840)	(3,349)
Foreign currency translation (loss) gain	(825)	(46)	(3,227)	278
Amounts reclassified from accumulated other comprehensive loss (income)	8	(52)	94	(52)
Comprehensive loss attributable to redeemable noncontrolling interest	(1,723)	(1,651)	(5,973)	(3,123)
Comprehensive (loss) income attributable to EZCORP, Inc.	$(4,702)	$5,550	$(11,524)	$27,548

See accompanying notes to interim condensed consolidated financial statements.

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EZCORP, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended March 31, 2015	2014
	(Unaudited) (in thousands)	
Operating activities:		
Net income	$10,115	$21,523
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,097	18,886
Amortization (accretion) of debt discount (premium) and consumer loan premium (discount), net	4,229	(170)
Consumer loan loss provision	14,023	18,562
Deferred income taxes	(5,536)	(1,624)
Restructuring	726	—
Amortization of deferred financing costs	2,625	2,550
Amortization of prepaid commissions	6,200	5,144
Other adjustments	380	(789)
Loss (gain) on sale or disposal of assets	950	(6,081)
Stock compensation (benefit) expense	(1,928)	8,189
Loss (income) from investments in unconsolidated affiliates	1,484	(1,763)
Impairment of investments	—	7,940
Changes in operating assets and liabilities, net of business acquisitions:		
Service charges and fees receivable	2,542	9,501
Inventory	2,499	2,696
Receivables, prepaid expenses, other current assets and other assets	(16,949)	(20,990)
Accounts payable and other accrued expenses and deferred gains and other long-term liabilities	(6,651)	(11,517)
Customer layaway deposits	1,947	353
Restricted cash	(835)	—
Prepaid income taxes	4,623	(11,410)
Payments of restructuring charges	(2,962)	—
Dividends from unconsolidated affiliates	2,407	2,597
Net cash provided by operating activities	37,986	43,597
Investing activities:		
Loans made	(417,014)	(448,159)
Loans repaid	334,888	336,970
Recovery of pawn loan principal through sale of forfeited collateral	138,885	130,359
Additions to property and equipment	(15,934)	(10,643)
Acquisitions, net of cash acquired	(4,750)	(10,282)
Investments in unconsolidated affiliates	(12,140)	—
Proceeds from sale of assets	—	10,631
Other investing activities	—	94
Net cash provided by (used in) investing activities	23,935	8,970

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EZCORP, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Financing activities:		
Taxes paid related to net share settlement of equity awards	(196)	(629)
Debt issuance costs	—	(5,176)
Payout of deferred and contingent consideration	(6,000)	(23,000)
Purchase of subsidiary shares from noncontrolling interest	—	(1,082)
Proceeds from settlement of forward currency contracts	2,313	—
Change in restricted cash	11,476	(17,756)
Proceeds from revolving line of credit	—	217,493
Payments on revolving line of credit	—	(273,070)
Proceeds from borrowings	69,384	105,769
Payments on borrowings and capital lease obligations	(51,677)	(51,819)
Net cash provided by (used in) financing activities	25,300	(49,270)
Effect of exchange rate changes on cash and cash equivalents	(4,373)	(69)
Net increase in cash and cash equivalents	82,848	3,228
Cash and cash equivalents at beginning of period	55,325	29,100
Cash and cash equivalents at end of period	$138,173	$32,328
Non-cash investing and financing activities:		
Pawn loans forfeited and transferred to inventory	$119,028	$118,050
Issuance of common stock, subject to possible redemption, due to acquisition	11,696	—
Deferred consideration	250	5,331
Change in accrued additions to property and equipment	—	122
Purchase of shares from noncontrolling interest	—	619
Note receivable from sale of assets	—	15,903

See accompanying notes to interim condensed consolidated financial statements.

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EZCORP, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	EZCORP, Inc. Stockholders' Equity
	Shares	Par Value				
	(Unaudited, except balances as of September 30, 2014 and 2013) (in thousands)					
Balances as of September 30, 2013	54,240	$ 543	$ 320,537	$ 581,248	$ (6,445)	$ 895,883
Stock compensation	—	—	8,197	—	—	8,197
Issuance of common stock due to purchase of subsidiary shares from noncontrolling interest	—	—	(619)	—	(15)	(634)
Release of restricted stock	142	—	—	—	—	—
Tax deficiency of stock compensation	—	—	(420)	—	—	(420)
Taxes paid related to net share settlement of equity awards	—	—	(629)	—	—	(629)
Effective portion of cash flow hedge	—	—	—	—	(78)	(78)
Unrealized loss on available-for-sale securities	—	—	—	—	401	401
Foreign currency translation adjustment	—	—	—	—	1,993	1,993
Foreign currency translation reclassification adjustment realized upon impairment	—	—	—	—	375	375
Net income attributable to EZCORP, Inc.	—	—	—	24,872	—	24,872
Balances as of March 31, 2014	54,382	$ 543	$ 327,066	$ 606,120	$ (3,769)	$ 929,960
Balances as of September 30, 2014	53,585	$ 536	$ 332,264	$ 509,586	$ (10,082)	$ 832,304
Issuance of common stock related to 401(k) match	1	—	—	—	—	—
Stock compensation benefit	—	—	(1,928)	—	—	(1,928)
Release of restricted stock	66	1	—	—	—	1
Tax deficiency of stock compensation	—	—	(167)	—	—	(167)
Taxes paid related to net share settlement of equity awards	—	—	(196)	—	—	(196)
Amounts reclassified from accumulated other comprehensive loss	—	—	—	—	293	293
Foreign currency translation adjustment	—	—	—	—	(24,773)	(24,773)
Net income attributable to EZCORP, Inc.	—	—	—	12,955	—	12,955
Balances as of March 31, 2015	53,652	$ 537	$ 329,973	$ 522,541	$ (34,562)	$ 818,489

See accompanying notes to interim condensed consolidated financial statements.

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EZCORP, Inc.
Notes to Interim Condensed Consolidated Financial Statements (Unaudited)
March 31, 2015
NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Organization
We are a leading provider of specialty consumer financial services. With approximately 7,100 teammates and 1,350 locations and branches, we provide collateralized, non-recourse loans, commonly known as pawn loans, and a variety of short-term and long-term consumer loans including single-payment and multiple-payment unsecured loans and single-payment and multiple-payment auto title loans, or fee-based credit services to customers seeking loans in the United States, Mexico and Canada. Subsequent to March 31, 2015, we discontinued our consumer loan operations in the United States.
We also own approximately 32% of Cash Converters International Limited ("Cash Converters International"), which is based in Australia and franchises and operates a worldwide network of over 750 locations that provide financial services and buy and sell second-hand goods.
Basis of Presentation
The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. Our management has included all adjustments it considers necessary for a fair presentation. These adjustments are of a normal, recurring nature except for those related to discontinued operations (described in Note 2). Furthermore, certain reclassifications of prior period amounts have been made to conform to the current period presentation. These reclassifications did not have a material impact on our financial position, results of operations or cash flows.
The accompanying financial statements should be read in conjunction with the consolidated financial statements and notes included in our Amended Annual Report on Form 10-K/A for the year ended September 30, 2014 (the "Amended FY14 Annual Report"). The balance sheet as of September 30, 2014 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Our business is subject to seasonal variations, and operating results for the three and six-months ended March 31, 2015 (the "current quarter" and "current six-month period") are not necessarily indicative of the results of operations for the full fiscal year.
These condensed consolidated financial statements include the accounts of EZCORP, Inc. ("EZCORP") and its consolidated subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation. As of March 31, 2015, we owned 76% of the outstanding equity interests in Prestaciones Finmart, S.A.P.I. de C.V., SOFOM, E.N.R. ("Grupo Finmart"), doing business under the brands "Crediamigo" and "Adex," and 59% of Renueva Comercial S.A.P.I. de C.V. ("TUYO"), and therefore, include their results in our condensed consolidated financial statements.
To determine if we hold a controlling financial interest in an entity, we first evaluate if we are required to apply the variable interest entity ("VIE") model to the entity; otherwise, the entity is evaluated under the voting interest model. Where we hold current or potential rights that give us the power to direct the activities of a VIE that most significantly impact the VIE's economic performance combined with a variable interest that gives us the right to receive potentially significant benefits or the obligation to absorb potentially significant losses, we have a controlling financial interest in that VIE. Rights held by others to remove the party with power over the VIE are not considered unless one party can exercise those rights unilaterally. Grupo Finmart has completed several transfers of consumer loans to various securitization trusts. We consolidate those securitization trusts under the VIE model. See Note 17.
We account for our investment in Cash Converters International using the equity method.
Use of Estimates and Assumptions
The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and judgments, including those related to revenue recognition, inventory,

loan loss allowances, long-lived and intangible assets, income taxes, contingencies and litigation. We base our estimates on historical experience, observable trends and various other assumptions that we believe are reasonable under the circumstances. We use this

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information to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from the estimates under different assumptions or conditions. There have been no changes in significant accounting policies as described in our Amended FY14 Annual Report, other than those described below.

Recently Adopted Accounting Policies

Common Stock, Subject to Possible Redemption

We account for shares subject to possible redemption in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 480 Distinguishing Liabilities from Equity. Under this standard, shares subject to mandatory redemption (if any) are classified as liability instruments and are measured at fair value and conditionally redeemable common shares (including shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company’s control) are classified as temporary equity. At all other times, shares are classified as stockholders’ equity. The EZCORP common stock subject to possible redemption features certain redemption rights that are considered by the Company to be outside of the Company’s control and subject to the occurrence of uncertain future events. Accordingly as of March 31, 2015, the shares subject to possible redemption are presented as temporary equity, outside of the stockholders’ equity section of the Company’s condensed consolidated balance sheets.

Recently Issued Accounting Pronouncements

In September 2015, the FASB issued Accounting Standards Update ("ASU") 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. This ASU requires reporting entities to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. Measurement period adjustments were previously required to be retrospectively adjusted as of the acquisition date. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. A reporting entity should apply the amendment prospectively. We do not anticipate that the adoption of ASU 2015-16 will have a material effect on our financial position, results of operations or cash flows.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory. This ASU requires reporting entities measuring inventories under the first-in, first-out or average cost methods to measure inventory at the lower of cost or net realizable value, where net realizable value is "estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation." Inventory was previously required to be measured at the lower of cost or market value, where the measurement of market value had several potential outcomes. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted provided that presentation is applied to the beginning of the fiscal year of adoption. A reporting entity may apply the amendment prospectively. We have not completed the process of evaluating the impact that will result from adopting ASU 2015-11. Therefore we are unable to disclose the impact that adopting ASU 2015-11 will have on our financial position, results of operations and cash flows when such statement is adopted.

In April 2015, the FASB issued ASU 2015-05, Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. This ASU provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. A reporting entity may apply the amendment prospectively or retrospectively. We do not anticipate that the adoption of ASU 2015-05 will have a material effect on our financial position, results of operations or cash flows.

In April 2015, the FASB issued ASU 2015-03, Interest — Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. This ASU requires reporting entities to record costs paid to third parties that are directly related to issuing debt, and that otherwise would not be incurred, as a deduction to the corresponding debt for presentation purposes. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. A reporting entity must apply the amendment retrospectively, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. The adoption of ASU 2015-03 as of March 31, 2015 would have resulted in the reclassification of unamortized debt issuance costs of $11.4 million, $7.7 million and $15.1 million as of March 31, 2015 and 2014 and September 30, 2014,

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respectively, from intangible assets, net to long-term debt within the condensed consolidated balance sheets. Other than this reclassification, the adoption of ASU 2015-03 would not have an impact on our financial position, results of operations or cash flows.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. This ASU provides guidance for reporting entities that are required to evaluate whether they should consolidate certain legal entities. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, provided that presentation is applied to the beginning of the fiscal year of adoption. A reporting entity may apply the amendment retrospectively or using a modified retrospective approach. We do not anticipate that the adoption of ASU 2015-02 will have a material effect on our financial position, results of operations or cash flows.

In November 2014, the FASB issued ASU 2014-16, Derivatives and Hedging (Topic 815): Determining Whether a Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or to Equity. This ASU requires reporting entities to determine the nature of a hybrid financial instrument host contract by considering all stated and implied substantive terms and features of the hybrid financial instrument, weighing each term and feature on the basis of relevant facts and circumstances. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, provided that presentation is applied to the beginning of the fiscal year of adoption. We do not anticipate that the adoption of ASU 2014-16 will have a material effect on our financial position, results of operations or cash flows.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). On August 12, 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606) to defer the effective date to December 15, 2017 for annual reporting periods beginning after that date. The FASB also permitted early adoption of the standard, but not before the original effective date of December 15, 2016. We have not completed the process of evaluating the impact that will result from adopting ASU 2014-09. Therefore we are unable to disclose the impact that adopting ASU 2014-09 will have on our financial position, results of operations and cash flows when such statement is adopted.

NOTE 2: DISCONTINUED OPERATIONS AND RESTRUCTURING

Discontinued Operations

During the fourth quarter of fiscal 2014, we implemented a plan to exit our online lending businesses in the United States and the United Kingdom. As a result of this plan, our online lending operations in the United States (EZOnline) and in the United Kingdom (Cash Genie) have been included as discontinued operations.

During the third quarter of fiscal 2013, we implemented a plan to close 107 legacy stores (57 in Mexico, 29 in Canada and 21 in the U.S.). These stores were generally older, smaller stores that did not fit our future growth profile.

See Note 18 for discussion of discontinued operations and restructuring actions subsequent to March 31, 2015.

Accrued lease termination costs, severance costs and other costs related to discontinued operations are included under "Accounts payable and other accrued expenses" in our condensed consolidated balance sheets. Changes in these amounts during the three and six-month periods ended March 31, 2015 and 2014 are summarized as follows:

	Three Months Ended March 31, 2015	Six Months Ended March 31, 2015
	(in millions)	
Beginning balance	$7.8	$8.9
Charged to expense*	4.0	4.0
Cash payments	(0.7)	(1.4)
Other**	(0.9)	(1.3)
Balance as of March 31, 2015	$10.2	$10.2

* We recorded additional one-time charges of $3.3 million related to Cash Genie regulatory compliance and $0.7 million related to severance costs during the three and six-month periods ended March 31, 2015.
** This balance consists of adjustments due to foreign currency effects and other individually immaterial adjustments.

	Three Months Ended March 31, 2014	Six Months Ended March 31, 2014
	(in millions)	
Beginning balance	$3.8	$7.1
Charged to expense	—	—
Cash payments	(1.2)	(2.9)
Other*	(0.4)	(2.0)
Balance as of March 31, 2014	$2.2	$2.2

* This balance consists of adjustments due to foreign currency effects and other individually immaterial adjustments.

Discontinued operations for the three-month periods ended March 31, 2015 and 2014 include $0.3 million and $9.2 million of total revenues, respectively. Discontinued operations for the six-month periods ended March 31, 2015 and 2014 include $1.6 million and $18.1 million of total revenues, respectively.

All revenue, expense and income reported in these condensed consolidated financial statements have been adjusted to reflect reclassification of all discontinued operations.

Restructuring

During the fourth quarter of fiscal 2014, we conducted a company-wide operational review to realign our organization to streamline operations and create synergies and efficiencies. The operational review resulted in the reduction of non-customer-facing overhead. Changes in the balance of restructuring costs during the three and six-month periods ended March 31, 2015 resulting from this initiative are summarized as follows:

	Three Months Ended March 31, 2015	Six Months Ended March 31, 2015
	(in thousands)	
Beginning balance	$3,858	$6,121
Charged to expense	726	726
Cash payments	(699)	(2,962)
Balance as of March 31, 2015	$3,885	$3,885

The accrual for restructuring costs as of March 31, 2015 represents the amounts to be paid related to severance for employees that have been terminated or identified for termination as a result of the initiatives described above. We estimate we will make a portion of the remaining payments during fiscal 2015, at which time this initiative will be substantially complete. We continue to review the impact of these actions and will determine if, based on future operating results, additional actions to reduce operating expenses are necessary. The amount of any potential future charges for such actions will depend upon the nature, timing and extent of those actions.

NOTE 3: ACQUISITIONS

On February 19, 2015, we completed the acquisition of 12 pawn stores in Central Texas doing business under the "Cash Pawn" brand. The aggregate purchase price for the acquisition was $16.5 million, comprised of $5.0 million cash and 1,168,456 shares of our Class A Non-voting Common Stock (the "Shares"), valued at $10.01 per share less a $0.2 million Holding Period Adjustment discussed below. The Shares were issued in an unregistered private placement transaction pursuant to Section 4(a)(2) of the Securities Act of 1933 to a small number of related individuals and entities (the "Sellers") who were either "accredited investors" or "sophisticated investors." We have concluded that this acquisition was immaterial to our overall consolidated financial results and, therefore, have omitted the information required by ASC 805-10-50-2(h).

On the first anniversary of the closing date, the Sellers have the right to require us to repurchase the Shares for an aggregate price of $11.8 million (the "Put Option"). The Sellers may terminate the Put Option, in whole or in part, at any time. The Sellers are required to hold the Shares for a period of six months following the termination of the Put Option or such later date when we are in compliance with Rule 144(c) (the "Holding Period"). If the trading price of the Class A Non-voting Common Stock at the end of the Holding Period is less than $10.06 per share (the average closing sales price of the stock on The Nasdaq Stock Market for the five trading days immediately preceding the closing), then we will make an additional cash payment to the Sellers equal to the aggregate deficit, but such payment will not exceed $1.0 million. If the trading price of the Class A Non-voting Common Stock at the end of the Holding Period is more than $10.06 per share, then we will receive from the Sellers (either in cash or by returning a portion of the Shares) an amount equal to 50% of the aggregate excess, but such payment will not exceed $1.0 million (the "Holding Period Adjustment"). As of March 31, 2015, the Sellers had not terminated the Put Option in whole or in part.

The Put Option is not accounted for separately from the Shares and does not require bifurcation. The Shares are accounted for as common stock, subject to possible redemption under FASB ASC 480 Distinguishing Liabilities from Equity and are included in temporary equity in our condensed consolidated balance sheet as of March 31, 2015. The Holding Period Adjustment is accounted for as a contingent consideration asset under FASB ASC 805 Business Combinations, will be adjusted to fair value in subsequent reporting periods, and is recorded in our condensed consolidated balance sheet at its estimated fair value under "Other assets, net" as of March 31, 2015. See Note 14 for additional information regarding the Holding Period Adjustment.

See Note 18 for discussion of acquisitions subsequent to March 31, 2015.

NOTE 4: EARNINGS PER SHARE

The two-class method is utilized for the computation of earnings per share. The two-class method requires a portion of net income to be allocated to participating securities, which are unvested awards of share-based payments with non-forfeitable rights to receive dividends or dividend equivalents, if declared. Income allocated to these participating securities is excluded from net earnings allocated to common shares. There were no participating securities outstanding during the three and six-month periods ended March 31, 2015 and 2014.

We compute basic earnings per share on the basis of the weighted-average number of shares of common stock outstanding during the period. We compute diluted earnings per share on the basis of the weighted-average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include restricted stock awards and warrants.

Potential common shares are required to be excluded from the computation of diluted earnings per share if the assumed proceeds upon exercise or vest, as defined by FASB ASC 718-10-25, are greater than the cost to re-acquire the same number of shares at the average market price, and therefore the effect would be anti-dilutive.

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Components of basic and diluted earnings per share and excluded anti-dilutive potential common shares are as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
	(in thousands, except per share amounts)			
Net income from continuing operations attributable to EZCORP (A)	$4,107	$6,776	$14,676	$28,241
Loss from discontinued operations, net of tax (B)	(2,764)	(634)	(1,721)	(3,369)
Net income attributable to EZCORP (C)	$1,343	$6,142	$12,955	$24,872
Weighted-average outstanding shares of common stock (D)	54,184	54,374	53,915	54,353
Dilutive effect of restricted stock	28	212	57	230
Weighted-average common stock and common stock equivalents (E)	54,212	54,586	53,972	54,583
Basic earnings (loss) per share attributable to EZCORP:				
Continuing operations (A / D)	$0.08	$0.12	$0.27	$0.52
Discontinued operations (B / D)	(0.05)	(0.01)	(0.03)	(0.06)
Basic earnings per share (C / D)	$0.03	$0.11	$0.24	$0.46
Diluted earnings (loss) per share attributable to EZCORP:				
Continuing operations (A / E)	$0.08	$0.12	$0.27	$0.52
Discontinued operations (B / E)	(0.05)	(0.01)	(0.03)	(0.06)
Diluted earnings per share (C / E)	$0.03	$0.11	$0.24	$0.46
Potential common shares excluded from the calculation of diluted earnings per share:				
Restricted stock	245	544	6	236
Warrants	14,317	—	14,317	—
Total potential common shares excluded	14,562	544	14,323	236

NOTE 5: STRATEGIC INVESTMENTS

Cash Converters International Limited

As of March 31, 2015, we owned 151,948,000 shares, or approximately 32%, of Cash Converters International, a company headquartered in Perth, Australia and publicly traded on the Australian Stock Exchange. Cash Converters International franchises and operates a worldwide network of over 750 specialty financial services and retail stores, with significant store concentrations in Australia and the United Kingdom, that buy and sell second-hand goods and provide pawn loans, short-term unsecured loans and other consumer finance products. Our initial total investment in Cash Converters International was acquired between November 2009 and November 2012 for approximately $68.8 million. An additional 15,100,000 shares were acquired in December 2014 for approximately $12.1 million in connection with a non-underwritten placement of 47,400,000 shares by Cash Converters International.

We account for our investment in Cash Converters International using the equity method. Since Cash Converters International's fiscal year ends three-months prior to ours, we report the income from this investment on a three-month lag. Cash Converters International files semi-annual financial reports with the Australian Securities & Investments Commission for its fiscal periods ending December 31 and June 30. Due to the three-month lag, income reported for our six-month periods ended March 31, 2015 and 2014 represents our percentage interest in the results of Cash Converters International's operations from July 1, 2014 to December 31, 2014 and July 1, 2013 to December 31, 2013, respectively.

During the three and six-month periods ended March 31, 2015, our equity in Cash Converters International's net loss was $3.7 million and $1.5 million, respectively. During the three and six-month periods ended March 31, 2014 our equity in Cash Converters International’s net income was $0.5 million and $2.9 million, respectively.

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Additionally, during the six-month periods ended March 31, 2015 and 2014, we received dividends of $2.4 million and $2.6 million, respectively. We received no dividends during the three-month periods ended March 31, 2015 and 2014.

The following table presents summary financial information for Cash Converters International's most recently reported results as of March 31, 2015 after translation to U.S. dollars (using the exchange rate as of December 31 of each year for balance sheet items and average exchange rates for the income statement items for the periods indicated):

	December 31, 2014	December 31, 2013
	(in thousands)	
Current assets	$200,682	$202,735
Non-current assets	157,737	148,011
Total assets	$358,419	$350,746
Current liabilities	$75,700	$77,263
Non-current liabilities	54,256	52,522
Shareholders' equity:		
Equity attributable to owners of the parent	228,462	224,026
Noncontrolling interest	1	(3,065)
Total liabilities and shareholders' equity	$358,419	$350,746

	Six Months Ended December 31, 2014	Six Months Ended December 31, 2013
	(in thousands)	
Gross revenues	$167,206	$143,517
Gross profit	104,852	91,605
(Loss) profit for the period attributable to:		
Owners of the parent	$(4,717)	$9,103
Noncontrolling interest	(179)	(2,417)
(Loss) profit for the year — net (loss) income	$(4,896)	$6,686

Cash Converters International's total assets increased 2% from December 31, 2013 to December 31, 2014. Cash Converters International's (loss) profit for the period attributable to the owners of the parent decreased from a $9.1 million profit in the six-month period ended December 31, 2013 to a loss of $4.7 million loss in the six-month period ended December 31, 2014. The loss is due to a charge that Cash Converters International incurred in December 2014 in connection with the termination of agency agreements with certain development agents. See Note 18 for further discussion of events impacting Cash Converters International's financial information subsequent to March 31, 2015.

Albemarle & Bond Holdings, PLC

Prior to the quarter ended March 31, 2014, we held an investment in Albemarle & Bond Holdings, PLC ("Albemarle & Bond"). Albemarle & Bond was primarily engaged in pawnbroking, retail jewelry sales, check cashing and lending in the United Kingdom. We accounted for this investment using the equity method.

In March 2014, Albemarle & Bond entered into bankruptcy reorganization in the United Kingdom, and on April 15, 2014 Albemarle & Bond announced that the majority of its business and assets had been sold. As a result, we recognized an other-than-temporary impairment of $7.9 million ($5.4 million, net of taxes) during the quarter ended March 31, 2014, which brought our carrying value of this investment to zero.

Fair Value Measurements

The fair value for Cash Converters International as of March 31, 2015 and 2014 and September 30, 2014 was considered a Level 1 estimate within the fair value hierarchy of FASB ASC 820-10-50, and was calculated as (a) the quoted stock price on the Australian Stock Exchange as of March 31, 2015 and 2014 and September 30, 2014 multiplied by (b) the number of shares we owned as of March 31, 2015 and 2014 and September 30, 2014 multiplied by (c) the applicable foreign currency exchange

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rate as of March 31, 2015 and 2014 and September 30, 2014. We included no control premium for owning a large percentage of outstanding shares.

The table below summarizes the carrying amount and fair value of Cash Converters International as of the dates indicated:

	March 31, 2015	March 31, 2014	September 30, 2014
	(in thousands of U.S. dollars)		
Recorded value	$94,510	$88,685	$91,781
Fair value	105,150	121,478	128,956

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NOTE 6: GOODWILL AND OTHER INTANGIBLE ASSETS

The following table presents the balance of goodwill and each major class of intangible assets as of the specified dates:

	March 31, 2015	March 31, 2014	September 30, 2014
	(in thousands)		
Goodwill	$344,931	$435,048	$346,577
Indefinite-lived intangible assets, net:			
Pawn licenses	$8,836	$8,836	$8,836
Trade names	6,746	8,238	6,990
Domain name	13	215	13
Total indefinite-lived intangible assets, net	$15,595	$17,289	$15,839
Definite-lived intangible assets, net:			
Real estate finders' fees	$670	$866	$787
Non-compete agreements	336	479	391
Favorable lease	472	565	517
Franchise rights	1,052	1,263	1,222
Contractual relationship	10,995	14,394	13,222
Internally developed software	20,361	26,121	18,759
Deferred financing costs	11,433	7,678	15,143
Other	193	218	206
Total definite-lived intangible assets, net	$45,512	$51,584	$50,247
Intangible assets, net	$61,107	$68,873	$66,086

The following tables present the changes in the carrying value of goodwill during the periods presented:

	U.S. & Canada	Latin America	Other International	Consolidated
	(in thousands)			
Balances as of September 30, 2014	$239,179	$107,398	$—	$346,577
Acquisitions	10,710	—	—	10,710
Effect of foreign currency translation changes	—	(12,356)	—	(12,356)
Balances as of March 31, 2015	$249,889	$95,042	$—	$344,931

	U.S. & Canada	Latin America	Other International	Consolidated
	(in thousands)			
Balances as of September 30, 2013	$283,199	$110,209	$39,892	$433,300
Effect of foreign currency translation changes	—	513	1,235	1,748
Balances as of March 31, 2014	$283,199	$110,722	$41,127	$435,048

On February 19, 2015, we completed the acquisition of 12 pawn stores in Central Texas doing business under the "Cash Pawn" brand. We recorded $10.7 million in goodwill pertaining to this acquisition. The acquisition was made as part of our continuing strategy to enhance our earnings over the long-term. The factors contributing to the recognition of goodwill were based on several strategic and synergistic benefits we expect to realize from the acquisitions. These benefits include a greater presence in the Central Texas market, as well as the ability to further leverage our expense structure through increased scale. See Note 3 for additional information regarding the acquisition. See Note 18 for discussion of an additional acquisition completed subsequent to March 31, 2015.

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In accordance with ASC 350-20-35, Goodwill — Subsequent Measurement, we test goodwill and intangible assets with an indefinite useful life for potential impairment annually, or more frequently when there are events or circumstances that indicate that it is more likely than not that an impairment exists. During the six-month period ended March 31, 2015, we evaluated such events and circumstances and concluded that it was not "more likely than not" that a goodwill or intangible asset impairment existed. We will continue to monitor if an interim triggering event is present in subsequent periods, and we will perform our required annual impairment test in the fourth quarter of our fiscal year. See Note 18 for discussion of goodwill and other long-term asset impairment that occurred subsequent to March 31, 2015.

The amortization of most definite-lived intangible assets is recorded as amortization expense. The favorable lease asset and other intangibles are amortized to operations expense (rent expense) over the related lease terms. The deferred financing costs are amortized to interest expense over the life of the related debt instruments.

The following table presents the amount and classification of amortization recognized as expense in each of the periods presented, without regard for any subsequent impairments of intangible assets:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
	(in thousands)			
Amortization expense in continuing operations	$1,368	$1,393	$2,825	$2,758
Amortization expense in discontinued operations	—	582	—	1,157
Operations expense	26	31	52	61
Interest expense	992	1,660	2,625	2,550
Total expense from the amortization of definite-lived intangible assets	$2,386	$3,666	$5,502	$6,526

The following table presents our estimate of the amount and classification of future amortization expense for definite-lived intangible assets, without regard for any subsequent impairments of intangible assets:

Fiscal Years Ended September 30,	Amortization Expense	Operations Expense	Interest Expense
	(in thousands)		
2015	$3,356	$53	$1,854
2016	6,400	106	3,223
2017	6,166	106	2,547
2018	5,209	106	2,391
2019	4,486	78	1,418

As acquisitions and dispositions occur in the future, amortization expense may vary from these estimates.

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NOTE 7: LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

The following table presents our long-term debt instruments and balances under capital lease obligations outstanding as of March 31, 2015 and 2014 and September 30, 2014. The non-recourse debt matures at various months in the years so indicated in the table below:

	March 31, 2015		March 31, 2014		September 30, 2014
	Carrying Amount	Debt (Discount) Premium	Carrying Amount	Debt Premium	Carrying Amount