

CASH AMERICA INTERNATIONAL INC  
Form 10-Q  
July 29, 2014  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q  
(Mark One)

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

For the quarterly period ended June 30, 2014

OR

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

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

Commission File Number 1-9733

(Exact name of registrant as specified in its charter)

Texas

(State or other jurisdiction of  
Incorporation or organization)

1600 West 7<sup>th</sup> Street

Fort Worth, Texas

(Address of principal executive offices)

(817) 335-1100

(Registrant's telephone number, including area code)

NONE

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

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

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company

(Do not check if a smaller reporting company)

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

Yes       No

APPLICABLE ONLY TO CORPORATE ISSUERS:

28,887,385 of the Registrants' common shares, \$.10 par value, were issued and outstanding as of July 21, 2014.

---

Table of Contents

CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You should not place undue reliance on these statements. These forward-looking statements give current expectations or forecasts of future events and reflect the views and assumptions of senior management with respect to the business, financial condition, operations and prospects of Cash America International, Inc. and its subsidiaries (collectively, the “Company”). When used in this report, terms such as “believes,” “estimates,” “should,” “could,” “would,” “plans,” “expects,” “intends,” “anticipates,” “may,” “forecast,” “project” or expressions or variations as they relate to the Company or its management are intended to identify forward-looking statements. Forward-looking statements address matters that involve risks and uncertainties that are beyond the ability of the Company to control and, in some cases, predict. Accordingly, there are or will be important factors that could cause the Company’s actual results to differ materially from those indicated in these statements. Key factors that could cause the Company’s actual financial results, performance or condition to differ from the expectations expressed or implied in such forward-looking statements include, but are not limited to, the following:

- the effect of and compliance with domestic and foreign pawn, consumer credit, tax and other laws and government rules and regulations applicable to the Company’s business, including changes in such laws, rules and regulations, or changes in the interpretation or enforcement thereof, and the regulatory and examination authority of the Consumer Financial Protection Bureau with respect to providers of consumer financial products and services in the United States and the Financial Conduct Authority in the United Kingdom;
- the effect of and compliance with enforcement actions, orders and agreements issued by applicable regulators, such as a consent order the Company entered into with the Consumer Financial Protection Bureau in November 2013;
- changes in the Company’s U.K. business practices as a result of adapting the Company’s business in response to the requirements of the Financial Conduct Authority;
- the deterioration of the political, regulatory or economic environment in foreign countries where the Company operates or in the future may operate;
- the Company’s ability to process or collect consumer loans through the Automated Clearing House system;
- risks related to the potential separation of the Company’s online lending business that comprises its E-Commerce Division, Enova International, Inc.;
- the actions of third parties who provide, acquire or offer products and services to, from or for the Company;
- public perception of the Company’s business, including the Company’s consumer loan business and the Company’s business practices;
- the effect of any current or future litigation proceedings and any judicial decisions or rule-making that affects the Company, its products or the legality or enforceability of its arbitration agreements;
- fluctuations, including a sustained decrease, in the price of gold or a deterioration in economic conditions;
- a prolonged interruption in the Company’s operations of its facilities, systems or business functions, including the Company’s information technology and other business systems;
- changes in demand for the Company’s services and changes in competition;
- the Company’s ability to maintain an allowance or liability for estimated losses on consumer loans that are adequate to absorb credit losses;
- the Company’s ability to attract and retain qualified executive officers;
- the Company’s ability to open new locations in accordance with plans or to successfully integrate newly acquired businesses into its operations;
- interest rate and foreign currency exchange rate fluctuations;
- changes in the capital markets, including the debt and equity markets;
-

changes in the Company's ability to satisfy the Company's debt obligations or to refinance existing debt obligations or obtain new capital to finance growth;  
cyber-attacks or security breaches;  
acts of God, war or terrorism, pandemics and other events;  
the effect of any of the above changes on the Company's business or the markets in which the Company operates; and  
other risks and uncertainties described in this report or from time to time in the Company's filings with the Securities and Exchange Commission ("SEC").

---

Table of Contents

The foregoing list of factors is not exhaustive and new factors may emerge or changes to these factors may occur that would impact the Company's business. Additional information regarding these and other factors may be contained in the Company's filings with the SEC, especially on Forms 10-K, 10-Q and 8-K. If one or more events related to these or other risks or uncertainties materialize, or if management's underlying assumptions prove to be incorrect, actual results may differ materially from what the Company anticipates. The Company disclaims any intention or obligation to update or revise any forward-looking statements to reflect events or circumstances occurring after the date of this report. All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements.

---

Table of Contents

CASH AMERICA INTERNATIONAL, INC.  
INDEX TO FORM 10-Q

PART I. FINANCIAL INFORMATION

	Page
Item 1.	
<u>Financial Statements (Unaudited)</u>	
<u>Consolidated Balance Sheets - June 30, 2014 and 2013 and December 31, 2013</u>	<u>1</u>
<u>Consolidated Statements of Income - Three and Six Months Ended June 30, 2014 and 2013</u>	<u>2</u>
<u>Consolidated Statements of Comprehensive Income - Three and Six Months Ended June 30, 2014 and 2013</u>	<u>3</u>
<u>Consolidated Statements of Equity - June 30, 2014 and 2013</u>	<u>4</u>
<u>Consolidated Statements of Cash Flows - Six Months Ended June 30, 2014 and 2013</u>	<u>5</u>
<u>Notes to Consolidated Financial Statements</u>	<u>6</u>
Item 2.	<u>31</u>
Item 3.	<u>73</u>
Item 4.	<u>74</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	
<u>Controls and Procedures</u>	

PART II. OTHER INFORMATION

Item 1.	<u>74</u>
Item 1A.	<u>74</u>
Item 2.	<u>79</u>
Item 3.	<u>79</u>
Item 4.	<u>79</u>
Item 5.	<u>79</u>
Item 6.	<u>80</u>
<u>Legal Proceedings</u>	
<u>Risk Factors</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	
<u>Defaults upon Senior Securities</u>	
<u>Mine Safety Disclosures</u>	
<u>Other Information</u>	
<u>Exhibits</u>	

<u>SIGNATURES</u>	<u>82</u>
-------------------	-----------

Table of Contents

PART I. FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS  
CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(dollars in thousands, except per share data)  
(Unaudited)

	June 30, 2014	2013	December 31, 2013
Assets			
Current assets:			
Cash and cash equivalents	\$ 192,915	\$ 124,459	\$ 67,228
Restricted cash	60	—	8,000
Pawn loans	263,668	229,574	261,148
Consumer loans, net	337,961	287,127	358,841
Merchandise held for disposition, net	198,919	155,112	208,899
Pawn loan fees and service charges receivable	51,986	45,566	53,438
Income taxes receivable	17	25,495	9,535
Prepaid expenses and other assets	42,545	30,985	33,655
Deferred tax assets	34,779	43,628	38,800
Total current assets	1,122,850	941,946	1,039,544
Property and equipment, net	255,407	250,842	261,223
Goodwill	706,037	608,242	705,579
Intangible assets, net	49,135	34,067	52,256
Other assets	35,457	21,571	21,129
Total assets	\$ 2,168,886	\$ 1,856,668	\$ 2,079,731
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued expenses	\$ 120,417	\$ 115,591	\$ 140,068
Customer deposits	18,295	12,962	14,803
Income taxes currently payable	—	—	—
Current portion of long-term debt	—	22,606	22,606
Total current liabilities	138,712	151,159	177,477
Deferred tax liabilities	113,157	103,759	101,417
Noncurrent income tax payable	—	36,834	—
Other liabilities	1,268	1,609	1,031
Long-term debt	793,863	547,218	717,383
Total liabilities	\$ 1,047,000	\$ 840,579	\$ 997,308
Equity:			
Cash America International, Inc. equity:			
Common stock, \$0.10 par value per share, 80,000,000 shares authorized, 30,235,164 shares issued and outstanding	3,024	3,024	3,024
Additional paid-in capital	86,184	156,349	150,833
Retained earnings	1,082,725	946,483	1,017,981
Accumulated other comprehensive income (loss)	7,998	(362	) 4,649
	(58,045	) (89,405	) (94,064

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

Treasury shares, at cost (1,382,602 shares, 2,107,082 shares and 2,224,902 shares as of June 30, 2014 and 2013, and as of December 31, 2013, respectively)

Total equity	1,121,886	1,016,089	1,082,423
Total liabilities and equity	\$2,168,886	\$1,856,668	\$2,079,731

See notes to consolidated financial statements.

1

---

Table of Contents

## CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Revenue				
Pawn loan fees and service charges	\$80,990	\$72,728	\$161,177	\$148,642
Proceeds from disposition of merchandise	146,772	131,532	323,227	310,249
Consumer loan fees	225,339	202,431	459,521	412,636
Other	1,989	3,689	4,265	6,981
Total Revenue	455,090	410,380	948,190	878,508
Cost of Revenue				
Disposed merchandise	104,510	88,961	229,074	210,296
Consumer loan loss provision	74,689	77,229	148,189	152,081
Total Cost of Revenue	179,199	166,190	377,263	362,377
Net Revenue	275,891	244,190	570,927	516,131
Expenses				
Operations and administration	194,975	176,942	386,561	353,766
Depreciation and amortization	19,497	18,000	38,758	35,531
Total Expenses	214,472	194,942	425,319	389,297
Income from Operations	61,419	49,248	145,608	126,834
Interest expense	(12,828)	) (8,903)	) (22,896)	) (16,348)
Interest income	8	5	18	68
Foreign currency transaction (loss) gain	(179)	) 65	(280)	) (312)
Loss on extinguishment of debt	(15,016)	) —	(16,562)	) —
Equity in loss of unconsolidated subsidiary	—	(25)	) —	(136)
Income before Income Taxes	33,404	40,390	105,888	110,106
Provision for income taxes	12,433	14,946	39,180	40,740
Net Income	20,971	25,444	66,708	69,366
Net income attributable to the noncontrolling interest	—	(312)	) —	(308)
Net Income Attributable to Cash America International, Inc.	\$20,971	\$25,132	\$66,708	\$69,058
Earnings Per Share:				
Net Income attributable to Cash America International, Inc. common shareholders:				
Basic	\$0.73	\$0.88	\$2.33	\$2.39
Diluted	\$0.72	\$0.81	\$2.27	\$2.23
Weighted average common shares outstanding:				
Basic	28,823	28,721	28,616	28,910
Diluted	29,256	30,845	29,365	31,023
Dividends declared per common share	\$0.035	\$0.035	\$0.070	\$0.070

See notes to consolidated financial statements.



Table of ContentsCASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(dollars in thousands)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2014	2013	June 30, 2014	2013
Net income	\$20,971	\$25,444	\$66,708	\$69,366
Other comprehensive gain (loss), net of tax:				
Foreign currency translation gain (loss) <sup>(a)</sup>	2,816	(3,781	) 3,349	(3,347
Marketable securities <sup>(b)</sup>	—	(895	) —	(254
Total other comprehensive gain (loss), net of tax	\$2,816	\$(4,676	) \$3,349	)