FIRST CASH FINANCIAL SERVICES INC
Form 10-Q
August 08, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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 June 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 0-19133

FIRST CASH FINANCIAL SERVICES, INC.
(Exact name of registrant as specified in its charter)

Delaware	75-2237318
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
690 East Lamar Blvd., Suite 400	76011
Arlington, Texas	(Zip Code)
(Address of principal executive offices)	

(817) 460-3947
(Registrant’s telephone number, including area code)
NONE
(Former name, former address and former fiscal year, if changed since last report)

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

x Large accelerated filer	o Accelerated filer
o Non-accelerated filer (Do not check if a smaller reporting company)	o Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). oYes x No

As of August 3, 2016, there were 28,243,229 shares of common stock outstanding.

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FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2016

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CAUTIONARY STATEMENT REGARDING RISKS AND UNCERTAINTIES THAT MAY AFFECT FUTURE RESULTS

Forward-Looking Information

This quarterly report contains forward-looking statements about the business, financial condition and prospects of First Cash Financial Services, Inc. and its wholly owned subsidiaries (together, the "Company") and the Company's previously announced all-stock merger of equals transaction with Cash America International, Inc. ("Cash America"). 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," " "targets," "intends," "could," or "anticipates," or the negative thereof, or other variations thereon, or comparable terminology, or by discussions of strategy or objectives. Forward-looking statements can also be identified by the fact that these statements do not relate strictly to historical or current matters. Rather, forward-looking statements relate to anticipated or expected events, activities, trends or results. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties.

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

- changes in foreign currency exchange rates and the U.S. dollar to the Mexican peso and Guatemalan quetzal exchange rates in particular;
- new federal, state or local legislative initiatives or governmental regulations (or changes to existing laws and regulations) affecting pawn businesses, consumer loan businesses and credit services organizations (in the United States, Mexico, Guatemala and El Salvador), including administrative or legal interpretations thereto;
- changes in consumer demand, including purchasing, borrowing and repayment behaviors;
- changes in regional, national or international economic conditions, including inflation rates, unemployment rates and energy prices;
- changes in pawn forfeiture rates and credit loss provisions;
- changes in the market value of pawn collateral and merchandise inventories, including gold prices and the value of consumer electronics and other products;
- changes or increases in competition;
- the ability to locate, open and staff new stores and successfully integrate acquisitions;
- the availability or access to sources of used merchandise inventory;
- changes in credit markets, interest rates and the ability to establish, renew and/or extend the Company's debt financing;
- the ability to maintain banking relationships for treasury services and processing of certain consumer lending transactions;
- the ability to hire and retain key management personnel;
- risks and uncertainties related to foreign operations in Mexico, Guatemala and El Salvador;

- changes in import/export regulations and tariffs or duties;
- changes in banking, anti-money laundering or gun control regulations;
- unforeseen litigation;
- changes in tax rates or policies in the U.S., Mexico, Guatemala and El Salvador;
- inclement weather, natural disasters and public health issues;
- security breaches, cyber attacks or fraudulent activity;
- a prolonged interruption in the Company's operations of its facilities, systems, and business functions, including its information technology and other business systems;

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- the implementation of new, or changes in the interpretation of existing, accounting principles or financial reporting requirements;
- future business decisions;
- the risk that the required stockholder approvals to approve the proposed transaction with Cash America may not be obtained;
- the risks that the other condition(s) to closing of the proposed transaction may not be satisfied;
- the length of time necessary to consummate the proposed transaction;
- the conditions to closing the 2016 Credit Facility (as defined below) may not be satisfied;
- the risk that the Company and the Cash America businesses will not be integrated successfully;
- the risk that the cost savings, synergies, growth and cash flows from the proposed transaction may not be fully realized or may take longer to realize than expected;
- the diversion of management time on transaction-related issues;
- the risk that costs associated with the integration of the Company and Cash America are higher than anticipated; and
- litigation risk related to the proposed transaction.

These and other risks, uncertainties and regulatory developments are further and more completely described in (i) the Company’s 2015 annual report on Form 10-K filed with the Securities and Exchange Commission on February 17, 2016, including the risks described in Part 1, Item 1A, “Risk Factors” of the Company’s annual report, (ii) Part II, Item 1A, “Risk Factors” of this quarterly report and (iii) with respect to the risks associated with the proposed transaction, the definitive joint proxy statement/prospectus that is included in the registration statement on Form S-4 that was filed by the Company with the SEC in connection with the proposed transaction, described under the heading “Risk Factors.” Many of these risks and uncertainties are beyond the ability of the Company to control, nor can the Company predict, in many cases, all of the risks and uncertainties that could cause its actual results to differ materially from those indicated by the forward-looking statements. The forward-looking statements contained in this quarterly report speak only as of the date of this quarterly report, and the Company expressly disclaims any obligation or undertaking to report any updates or revisions to any such statement to reflect any change in the Company’s expectations or any change in events, conditions or circumstances on which any such statement is based, except as required by law.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	June 30,		December 31,
	2016	2015	2015
ASSETS			
Cash and cash equivalents	$46,274	$77,430	$86,954
Pawn loan fees and service charges receivable	18,259	17,611	16,406
Pawn loans	134,658	124,969	117,601
Consumer loans, net	1,060	1,070	1,118
Inventories	91,861	88,080	93,458
Prepaid expenses and other current assets	7,781	3,853	9,897
Total current assets	299,893	313,013	325,434
Property and equipment, net	123,895	111,754	112,447
Goodwill	312,488	300,378	295,609
Other non-current assets	9,608	10,738	10,084
Deferred tax assets	10,720	8,687	9,321
Total assets	$756,604	$744,570	$752,895
LIABILITIES AND STOCKHOLDERS' EQUITY			
Accounts payable and accrued liabilities	$51,056	$39,496	$42,252
Income taxes payable	1,559	1,333	3,923
Total current liabilities	52,615	40,829	46,175
Revolving unsecured credit facilities	50,500	56,000	58,000
Senior unsecured notes	196,203	195,564	195,874
Deferred tax liabilities	23,800	18,322	21,464
Total liabilities	323,118	310,715	321,513
Stockholders' equity:			
Preferred stock	—	—	—
Common stock	403	399	403
Additional paid-in capital	203,414	193,977	202,393
Retained earnings	661,390	613,021	643,604
Accumulated other comprehensive loss from cumulative foreign currency translation adjustments	(95,113)	(53,934)	(78,410)
Common stock held in treasury, at cost	(336,608)	(319,608)	(336,608)
Total stockholders' equity	433,486	433,855	431,382
Total liabilities and stockholders' equity	$756,604	$744,570	$752,895

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenue:				
Retail merchandise sales	$115,543	$105,625	$234,319	$216,079
Pawn loan fees	51,878	47,583	103,311	96,237
Consumer loan and credit services fees	4,916	6,710	10,602	14,305
Wholesale scrap jewelry revenue	9,642	7,705	16,950	17,025
Total revenue	181,979	167,623	365,182	343,646
Cost of revenue:				
Cost of retail merchandise sold	71,345	65,636	145,767	133,882
Consumer loan and credit services loss provision	1,320	1,709	2,367	2,706
Cost of wholesale scrap jewelry sold	7,853	6,232	13,724	14,241
Total cost of revenue	80,518	73,577	161,858	150,829
Net revenue	101,461	94,046	203,324	192,817
Expenses and other income:				
Store operating expenses	54,578	51,746	109,989	104,067
Administrative expenses	16,509	13,559	33,777	27,332
Merger and acquisition expenses	4,079	1,110	4,479	1,175
Depreciation and amortization	4,947	4,467	9,884	9,014
Interest expense	4,326	4,126	8,786	8,146
Interest income	(224)	(393)	(498)	(737)
Total expenses and other income	84,215	74,615	166,417	148,997
Income before income taxes	17,246	19,431	36,907	43,820
Provision for income taxes	5,573	6,092	12,060	13,693
Net income	$11,673	$13,339	$24,847	$30,127
Net income per share:				
Basic	$0.41	$0.47	$0.88	$1.06
Diluted	$0.41	$0.47	$0.88	$1.06
Dividends declared per common share	$0.125	$—	$0.25	$—

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	$11,673	$13,339	$24,847	$30,127
Other comprehensive income (loss):				
Currency translation adjustment	(14,214)	(6,657)	(16,703)	(13,656)
Comprehensive income (loss)	$(2,541)	$6,682	$8,144	$16,471

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

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

	Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Accum-ulated Other Compre-hensive Loss	Common Stock Held in Treasury		Total Stock-holders' Equity
	Shares	Amount	Shares	Amount				Shares	Amount	
Balance at 12/31/2015	—	$ —	40,288	$ 403	$202,393	$643,604	$(78,410)	12,052	$(336,608)	$431,382
Shares issued under share-based com-pensation plan	—	—	7	—	—	—	—	—	—	—
Share-based compensation expense	—	—	—	—	1,021	—	—	—	—	1,021
Net income	—	—	—	—	—	24,847	—	—	—	24,847
Dividends paid	—	—	—	—	—	(7,061)	—	—	—	(7,061)
Currency translation adjustment	—	—	—	—	—	—	(16,703)	—	—	(16,703)
Balance at 6/30/2016	—	$ —	40,295	$ 403	$203,414	$661,390	$(95,113)	12,052	$(336,608)	$433,486

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

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

	Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Common Stock Held in Treasury		Total Stockholders' Equity
	Shares	Amount	Shares	Amount				Shares	Amount	
Balance at 12/31/2014	—	$ —	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	—	—	—	—	1,399	—	—	—	—	1,399
Net income	—	—	—	—	—	30,127	—	—	—	30,127
Currency translation adjustment	—	—	—	—	—	—	(13,656)	—	—	(13,656)
Repurchases of treasury stock	—	—	—	—	—	—	—	463	(22,974)	(22,974)
Balance at 6/30/2015	—	$ —	39,858	$ 399	$ 193,977	$ 613,021	$ (53,934)	11,663	$ (319,608)	$ 433,855

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

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

	Six Months Ended June 30, 2016	2015
Cash flow from operating activities:		
Net income	$24,847	$30,127
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Non-cash portion of credit loss provision	417	208
Share-based compensation expense	1,021	1,399
Depreciation and amortization expense	9,884	9,014
Amortization of debt issuance costs	462	484
Deferred income taxes	2,562	983
Changes in operating assets and liabilities, net of business combinations:		
Pawn fees and service charges receivable	(1,541)	(935)
Merchandise inventories	599	1,032
Prepaid expenses and other assets	3,899	459
Accounts payable and accrued expenses	(650)	(2,672)
Income taxes payable	(1,927)	1,810
Net cash flow provided by operating activities	39,573	41,909
Cash flow from investing activities:		
Loan receivables, net of cash repayments	(9,466)	(3,971)
Purchases of property and equipment	(17,073)	(8,600)
Acquisitions of pawn stores, net of cash acquired	(27,653)	(31,600)
Net cash flow used in investing activities	(54,192)	(44,171)
Cash flow from financing activities:		
Borrowings from revolving credit facilities	29,500	63,055
Repayments of revolving credit facilities	(37,000)	(29,455)
Repayments of notes payable	(6,532)	—
Debt issuance costs paid	(23)	—
Purchases of treasury stock	—	(22,974)
Proceeds from exercise of share-based compensation awards	—	2,901
Income tax benefit from exercise of stock options	—	1,617
Dividends paid	(7,061)	—
Net cash flow provided by (used in) financing activities	(21,116)	15,144
Effect of exchange rates on cash	(4,945)	(3,444)
Change in cash and cash equivalents	(40,680)	9,438
Cash and cash equivalents at beginning of the period	86,954	67,992
Cash and cash equivalents at end of the period	$46,274	$77,430

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

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

Note 1 - Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated balance sheet at December 31, 2015, which is derived from audited financial statements, and the unaudited condensed consolidated financial statements, including the notes thereto, include the accounts of First Cash Financial Services, Inc. and its wholly-owned subsidiaries (together, the "Company"). All significant intercompany accounts and transactions have been eliminated.

These unaudited consolidated financial statements are condensed and do not include all disclosures and footnotes required by generally accepted accounting principles in the United States of America for complete financial statements. These interim period financial statements should be read in conjunction with the Company's consolidated financial statements, which are included in the Company's annual report on Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission (the "SEC") on February 17, 2016. The condensed consolidated financial statements as of June 30, 2016 and 2015, and for the three month and six month periods ended June 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 June 30, 2016 are not necessarily indicative of the results that may be expected for the full fiscal year.

The Company manages its pawn and consumer loan operations under three operating segments: U.S. pawn operations, U.S. consumer loan operations and 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.

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 six month periods ended June 30, 2016. The Company also has operations in El Salvador where the reporting and functional currency is the U.S. dollar.

Revisions and Reclassifications

Certain amounts for the periods ended June 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 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 $7,009,000 decrease in current deferred tax assets, a $25,331,000 increase in non-current deferred tax assets and a $18,322,000 increase in non-current deferred tax liabilities in the accompanying condensed consolidated balance sheets as of June 30, 2015.

The Company revised certain previously reported amounts for the three and six months ended June 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 $2,330,000 and $4,780,000 for the three and six months ended June 30, 2015 and a decrease in deferred tax assets with a corresponding increase in accumulated other comprehensive loss from cumulative foreign currency translation adjustments of $18,890,000 as of June 30, 2015, but had no impact on the Company’s condensed consolidated statements of income or cash flows. In addition, see Note 7 for a description of revisions made to the condensed consolidating guarantor financial

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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 $3,797,000, $4,436,000 and $4,126,000 decrease in other non-current assets and senior unsecured notes in the accompanying condensed consolidated balance sheets as of June 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 excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement and the APIC pools will be

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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. The Company is currently assessing the potential impact of ASU 2016-09 on its consolidated financial statements.

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

Note 2 - Merger

On April 28, 2016, the Company and Cash America International, Inc. ("Cash America"), a Texas corporation, announced the execution of an Agreement and Plan of Merger (the "Merger Agreement") entered into among the Company, Cash America and Frontier Merger Sub, LLC ("Merger Sub"), a Texas limited liability company and a direct wholly owned subsidiary of the Company. Pursuant to the Merger Agreement, the companies will combine in an all-stock merger of equals (the "Merger"). Upon the terms and subject to the conditions set forth in the Merger Agreement, Cash America will merge with and into Merger Sub, with Merger Sub continuing as the surviving entity and remaining a wholly owned subsidiary of the Company. Upon completion of the transaction, the combined company will be named FirstCash, Inc. and will be headquartered in Fort Worth, Texas.

Under the terms of the Merger Agreement, which was unanimously approved by the boards of directors of both the Company and Cash America, each holder of Cash America common stock will receive a fixed exchange ratio of 0.84 shares of the Company's common stock for each Cash America share they own. Following the close of the transaction, the Company's stockholders will own approximately 58% of the combined company, and Cash America's shareholders will own approximately 42%.

On July 26, 2016, the Company and Cash America issued a joint press release announcing that the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR Act"), with respect to the Merger, has expired, concluding antitrust review of the transaction under the HSR Act and the entry by the Company into a $400,000,000 unsecured revolving bank credit facility for the combined company, which will become effective upon the completion of the Merger subject to the satisfaction of customary closing conditions (see Note 5 for additional information).

In connection with the proposed Merger between the Company and Cash America, the Company and Cash America filed a definitive joint proxy statement/prospectus with the SEC on August 1, 2016. The definitive joint proxy statement/prospectus was also included in a registration statement on Form S-4 that was filed by the Company and declared effective by the SEC on July 29, 2016. The definitive joint proxy statement/prospectus relates to a special meeting of shareholders to be held by each the Company and Cash America on August 31, 2016 to vote on matters in connection with the proposed Merger.

The Merger is expected to close in the third quarter of 2016, subject to the approval of both companies' stockholders and the satisfaction of customary closing conditions. See Part II, "Item 1A. Risk Factors" for additional information.

The Company is considered to be the accounting acquirer and as such, the closing date purchase consideration will be allocated to the fair value of Cash America assets and liabilities. Transaction costs associated with the Merger are being expensed as incurred and are presented in the condensed consolidated statements of income as merger and acquisition expenses. These expenses include investment banking, legal, accounting, and related third party costs associated with the Merger, including preparation for regulatory filings and shareholder approvals. Certain fees are contingent on the Merger closing. Pro forma information and the allocation of purchase price will be provided following completion of the Merger.

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Note 3 - Earnings Per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Numerator:				
Net income	$11,673	$13,339	$24,847	$30,127
Denominator:				
Weighted-average common shares for calculating basic earnings per share	28,243	28,196	28,242	28,299
Effect of dilutive securities:				
Stock options and nonvested awards	—	215	—	216
Weighted-average common shares for calculating diluted earnings per share	28,243	28,411	28,242	28,515
Net income per share:				
Basic	$0.41	$0.47	$0.88	$1.06
Diluted	$0.41	$0.47	$0.88	$1.06

Note 4 - Acquisitions

The Company completed acquisitions during the six months ended June 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.

Consistent with the Company’s strategy to continue its expansion of pawn stores in Latin America, 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 $30,123,000, net of cash acquired before certain post-closing adjustments. Subsequent to the acquisition, $229,000 of post closing adjustments were identified, resulting in a combined purchase price of $29,894,000, net of cash acquired and subject to further post-closing adjustments. The purchase was composed of $26,254,000 in cash paid during the six months ended June 30, 2016 and remaining payables to the sellers of approximately $3,640,000. In addition, the Company assumed approximately $6,630,000 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 six months ended June 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 $824,000, net of cash acquired. During the six months ended June 30, 2016, the Company also paid $575,000 of purchase price amounts payable related to prior-year acquisitions.

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The preliminary allocations of the purchase prices for the Company's acquisitions during the six months ended June 30, 2016 (the "2016 acquisitions") are as follows (in thousands):

	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 (1)	19,666	580	20,246
Intangible assets (2)	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

(1) Substantially all of the goodwill for the U.S. Acquisition is expected to be deductible for U.S. income tax purposes. However, the goodwill for the Latin America Acquisition is not expected to be deductible for Mexico and El Salvador income tax purposes.

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

During the six months ended June 30, 2016, revenue from the 2016 acquisitions since the acquisition dates was $23,622,000. During the six months ended June 30, 2016, the net earnings from the 2016 acquisitions since the acquisition dates (excluding acquisition and integration costs) was $1,818,000. Combined transaction and integration costs related to the 2016 acquisitions and the Merger were approximately $4,479,000, which are included in merger and acquisition expenses in the accompanying condensed consolidated statements of income.

The following unaudited pro forma financial information reflects the consolidated results of operations of the Company as if all the above acquisitions had occurred on January 1, 2015. The unaudited pro forma financial information has been prepared for informational purposes only and does not purport to be indicative of what would have resulted had the acquisition occurred on the date indicated or what may result in the future (in thousands, except per share data):

	Six Months Ended June 30, 2016		Six Months Ended June 30, 2015	
	As Reported	Pro Forma	As Reported	Pro Forma
Total revenue	$365,182	$366,463	$343,646	$371,300
Net income	24,847	24,894	30,127	30,663
Net income per share:				
Basic	$0.88	$0.88	$1.06	$1.08
Diluted	0.88	0.88	1.06	1.08

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Note 5 - Long-Term Debt

Senior Unsecured Notes

On March 24, 2014, the Company issued $200,000,000 of 6.75% senior notes due on April 1, 2021 (the “Notes”) 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 2015 Credit Facility (as defined below). The Notes permit the Company to make certain restricted payments, such as repurchasing shares of its stock and paying cash dividends, within certain parameters, the most restrictive of which generally limits such restricted payments to 50% of adjusted net income. As of June 30, 2016, 2015 and December 31, 2015, deferred debt issuance costs of $3,797,000, $4,436,000 and $4,126,000, respectively, are included as a direct deduction from the carrying amount of the Notes in the accompanying condensed consolidated balance sheets.

Revolving Credit Facilities

At June 30, 2016, the Company maintained a line of credit with a group of U.S. based commercial lenders (the “2015 Credit Facility”) in the amount of $210,000,000, which matures in October 2020. At June 30, 2016, the Company had $50,500,000 outstanding under the 2015 Credit Facility and $159,500,000 was available for borrowings. The 2015 Credit Facility bears interest, at the Company’s option, at either (i) the prevailing London Interbank Offered Rate (“LIBOR”) (with interest periods of 1, 2, 3 or 6 months at the Company’s option) plus a fixed spread of 2.5% or (ii) the prevailing prime or base rate plus a fixed spread of 1.5%. The 2015 Credit Facility requires a minimum LIBOR rate of 0%. Additionally, the Company is required to pay an annual commitment fee of 0.50% on the average daily unused portion of the 2015 Credit Facility commitment. The weighted-average interest rate on amounts outstanding under the 2015 Credit Facility at June 30, 2016 was 3.00% based on 30-day LIBOR. The 2015 Credit Facility is secured by a pledge of 65% of the voting equity interests of the Company’s first-tier foreign subsidiaries (the “Equity Pledge”). The 2015 Credit Facility requires the Company to maintain certain financial ratios and comply with certain financial covenants and allows the Company to make certain restricted payments, such as repurchasing shares of its stock and paying cash dividends, within certain parameters, provided the Company maintains compliance with those financial ratios and covenants after giving effect to such restricted payments. The Company was in compliance with the requirements and covenants of the 2015 Credit Facility as of June 30, 2016. During the six months ended June 30, 2016, the Company made net payments of $7,500,000 pursuant to the 2015 Credit Facility.

On July 25, 2016, the Company entered into an Amended and Restated Credit Agreement to replace the 2015 Credit Facility (as amended, the “2016 Credit Facility”). The 2016 Credit Facility does not become effective until the closing of the Merger and the satisfaction of customary closing conditions. The total lender commitment under the 2016 Credit Facility will increase from $210,000,000 to $400,000,000 and the number of participating lenders will increase from five to eight. Additionally, the term of the 2016 Credit Facility will be extended to five years from the closing date of the Merger and will be unsecured as the Equity Pledge will be released upon the effectiveness of the 2016 Credit Facility. The 2016 Credit Facility will bear interest, at the Company’s option, at either (i) 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 will be required to pay an annual commitment fee of 0.50% on the average daily unused portion of the 2016 Credit Facility commitment. Under the terms of the 2016 Credit Facility, the Company will be required to maintain certain financial ratios and comply with certain financial covenants and will allow the Company to make certain restricted payments, such as repurchasing 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. Additionally, the Company will be required to maintain a minimum level of liquidity, as defined in the 2016 Credit Facility, to the extent any principal amount under Cash America’s 5.75% senior notes due May 15, 2018 remains outstanding upon completion of the Merger.

At June 30, 2016, the Company maintained a line of credit with a bank in Mexico (the “Mexico Credit Facility”) in the amount of $10,000,000. The Mexico Credit Facility bears interest at 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 is required to pay a one-time commitment fee of $25,000 due when the first amount is drawn/borrowed. At June 30, 2016, the Company had no amount outstanding under the Mexico Credit Facility and $10,000,000 was available for borrowings.

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Note 6 - Fair Value of Financial Instruments

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

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs that are not corroborated by market data.

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

The carrying value of the Company’s prior credit facility approximated fair value as of June 30, 2015. The carrying value of the Company’s current credit facilities (the 2015 Credit Facility and the Mexico Credit Facility) approximated fair value as of June 30, 2016 and December 31, 2015. The fair value of the Notes was approximately $202,000,000, $211,000,000 and $199,000,000 as of June 30, 2016, 2015 and December 31, 2015, respectively, compared to a carrying value of $196,203,000, $195,564,000 and $195,874,000, respectively. These fair values have been estimated based on a discounted cash flow analysis using a discount rate representing the Company’s estimate of the rate that would be used by market participants (Level 2 of the fair value hierarchy). Changes in assumptions or estimation methodologies may have a material effect on these estimated fair values.

Note 7 - Condensed Consolidating Guarantor Financial Statements

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

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

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Condensed Consolidating Balance Sheet
June 30, 2016
(unaudited, in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$7,505	$ 2,618	$ 36,151	$ —	$ 46,274
Pawn loan fees and service charges receivable	—	7,124	11,135	—	18,259
Pawn loans	—	58,756	75,902	—	134,658
Consumer loans, net	—	606	454	—	1,060
Inventories	—	39,341	52,520	—	91,861
Prepaid expenses and other current assets	5,678	—	2,103	—	7,781
Intercompany receivable	6,804	—	1,639	(8,443)	—
Total current assets	19,987	108,445	179,904	(8,443)	299,893
Property and equipment, net	3,983	63,272	56,640	—	123,895
Goodwill	—	196,804	115,684	—	312,488
Other non-current assets	1,155	4,349	4,104	—	9,608
Deferred tax assets	—	—	10,720	—	10,720
Investments in subsidiaries	671,530	—	—	(671,530)	—
Total assets	$696,655	$ 372,870	$ 367,052	$ (679,973)	$ 756,604
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable and accrued liabilities	$16,293	$ 8,217	$ 26,546	$ —	$ 51,056
Income taxes payable	—	—	1,559	—	1,559
Intercompany payable	—	—	8,443	(8,443)	—
Total current liabilities	16,293	8,217	36,548	(8,443)	52,615
Revolving unsecured credit facilities	50,500	—	—	—	50,500
Senior unsecured notes	196,203	—	—	—	196,203
Deferred tax liabilities	173	21,170	2,457	—	23,800
Total liabilities	263,169	29,387	39,005	(8,443)	323,118
Total stockholders' equity	433,486	343,483	328,047	(671,530)	433,486
Total liabilities and stockholders' equity	$696,655	$ 372,870	$ 367,052	$ (679,973)	$ 756,604

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Condensed Consolidating Balance Sheet
June 30, 2015
(unaudited, in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$5,704	$ 2,812	$ 68,914	$ —	$ 77,430
Pawn loan fees and service charges receivable	—	7,691	9,920	—	17,611
Pawn loans	—	61,869	63,100	—	124,969
Consumer loans, net	—	565	505	—	1,070
Inventories	—	38,436	49,644	—	88,080
Prepaid expenses and other current assets	2,789	—	1,064	—	3,853
Intercompany receivable	8,825	—	—	(8,825)	—
Total current assets	17,318	111,373	193,147	(8,825)	313,013
Property and equipment, net	4,082	54,593	53,079	—	111,754
Goodwill	—	201,853	98,525	—	300,378
Other non-current assets	1,047	5,440	4,251	—	10,738
Deferred tax assets	1,069	—	8,687	(1,069)	8,687
Investments in subsidiaries	676,357	—	—	(676,357)	—
Total assets	$699,873	$ 373,259	$ 357,689	$ (686,251)	$ 744,570
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable and accrued liabilities	$13,366	$ 7,671	$ 18,459	$ —	$ 39,496
Income taxes payable	1,088	—	245	—	1,333
Intercompany payable	—	—	8,825	(8,825)	—
Total current liabilities	14,454	7,671	27,529	(8,825)	40,829
Revolving unsecured credit facilities	56,000	—	—	—	56,000
Senior unsecured notes	195,564	—	—	—	195,564
Deferred tax liabilities	—	17,100	2,291	(1,069)	18,322
Total liabilities	266,018	24,771	29,820	(9,894)	310,715
Total stockholders' equity	433,855	348,488	327,869	(676,357)	433,855
Total liabilities and stockholders' equity	$699,873	$ 373,259	$ 357,689	$ (686,251)	$ 744,570

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Condensed Consolidating Balance Sheet
December 31, 2015
(unaudited, in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$5,460	$ 3,765	$ 77,729	$ —	$ 86,954
Pawn loan fees and service charges receivable	—	7,596	8,810	—	16,406
Pawn loans	—	61,204	56,397	—	117,601
Consumer loans, net	—	624	494	—	1,118
Inventories	—	46,349	47,109	—	93,458
Prepaid expenses and other current assets	6,477	—	3,420	—	9,897
Intercompany receivable	7,382	—	—	(7,382)	—
Total current assets	19,319	119,538	193,959	(7,382)	325,434
Property and equipment, net	3,568	55,585	53,294	—	112,447
Goodwill	—	196,224	99,385	—	295,609
Other non-current assets	1,290	4,893	3,901	—	10,084
Deferred tax assets	—	—	9,321	—	9,321
Investments in subsidiaries	675,574	—	—	(675,574)	—
Total assets	$699,751	$ 376,240	$ 359,860	$ (682,956)	$ 752,895
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable and accrued liabilities	$14,308	$ 7,929	$ 20,015	$ —	$ 42,252
Income taxes payable	—	—	3,923	—	3,923
Intercompany payable	—	—	7,382	(7,382)	—
Total current liabilities	14,308	7,929	31,320	(7,382)	46,175
Revolving unsecured credit facilities	58,000	—	—	—	58,000
Senior unsecured notes	195,874	—	—	—	195,874
Deferred tax liabilities	187	18,880	2,397	—	21,464
Total liabilities	268,369	26,809	33,717	(7,382)	321,513
Total stockholders' equity	431,382	349,431	326,143	(675,574)	431,382
Total liabilities and stockholders' equity	$699,751	$ 376,240	$ 359,860	$ (682,956)	$ 752,895

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Condensed Consolidating Statement of Comprehensive Income (Loss)
Three Months Ended June 30, 2016
(unaudited, in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated
Revenue:					
Retail merchandise sales	$—	$ 39,459	$ 76,084	$ —	$ 115,543
Pawn loan fees	—	19,354	32,524	—	51,878
Consumer loan and credit services fees	—	4,338	578	—	4,916
Wholesale scrap jewelry revenue	—	5,210	4,432	—	9,642
Total revenue	—	68,361	113,618	—	181,979
Cost of revenue:					
Cost of retail merchandise sold	—	23,839	47,506	—	71,345
Consumer loan and credit services loss provision	—	1,197	123	—	1,320
Cost of wholesale scrap jewelry sold	—	4,340	3,513	—	7,853
Total cost of revenue	—	29,376	51,142	—	80,518
Net revenue	—	38,985	62,476	—	101,461
Expenses and other income:					
Store operating expenses	—	23,128	31,450	—	54,578
Administrative expenses [1]	5,183	—	11,326	—	16,509
Merger and acquisition expenses	4,079	—	—	—	4,079
Depreciation and amortization	240	1,630	3,077	—	4,947
Interest expense	4,322	—	4	—	4,326
Interest income	(2)	—	(222)	—	(224)
Total expenses and other income	13,822	24,758	45,635	—	84,215
Income (loss) before income taxes	(13,822)	14,227	16,841	—	17,246
Provision for income taxes	(5,385)	5,300	5,658	—	5,573
Income (loss) before equity in net income of subsidiaries	(8,437)	8,927	11,183	—	11,673
Equity in net income of subsidiaries	20,110	—	—	(20,110)	—
Net income (loss)	$ 11,673	$ 8,927	$ 11,183	$ (20,110)	$ 11,673
Other comprehensive income (loss):					
Currency translation adjustment	(14,214)	—	—	—	(14,214)
Comprehensive income (loss)	$ (2,541)	$ 8,927	$ 11,183	$ (20,110)	$ (2,541)

(1) Includes the allocation of certain administrative expenses and the payment of royalties between the Parent Company and certain foreign Non-Guarantor Subsidiaries.

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

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated
Revenue:					
Retail merchandise sales	$—	$ 36,929	$ 68,696	$ —	$ 105,625
Pawn loan fees	—	19,682	27,901	—	47,583
Consumer loan and credit services fees	—	6,065	645	—	6,710
Wholesale scrap jewelry revenue	—	4,067	3,638	—	7,705
Total revenue	—	66,743	100,880	—	167,623
Cost of revenue:					
Cost of retail merchandise sold	—	21,317	44,319	—	65,636
Consumer loan and credit services loss provision	—	1,621	88	—	1,709
Cost of wholesale scrap jewelry sold	—	3,484	2,748	—	6,232
Total cost of revenue	—	26,422	47,155	—	73,577
Net revenue	—	40,321	53,725	—	94,046
Expenses and other income:					
Store operating expenses	—	22,214	29,532	—	51,746
Administrative expenses (1)	6,190	—	7,369	—	13,559
Merger and acquisition expenses	1,110	—	—	—	1,110
Depreciation and amortization	186	1,684	2,597	—	4,467
Interest expense	4,126	—	—	—	4,126
Interest income	(2)	—	(391)	—	(393)
Total expenses and other income	11,610	23,898	39,107	—	74,615
Income (loss) before income taxes	(11,610)	16,423	14,618	—	19,431
Provision for income taxes	(4,141)	6,113	4,120	—	6,092
Income (loss) before equity in net income of subsidiaries	(7,469)	10,310	10,498	—	13,339
Equity in net income of subsidiaries	20,808	—	—	(20,808)	—
Net income (loss)	$ 13,339	$ 10,310	$ 10,498	$ (20,808)	$ 13,339
Other comprehensive income (loss):					
Currency translation adjustment	(6,657)	—	—	—	(6,657)
Comprehensive income (loss)	$ 6,682	$ 10,310	$ 10,498	$ (20,808)	$ 6,682

(1) Includes the allocation of certain administrative expenses and the payment of royalties between the Parent Company and certain foreign Non-Guarantor Subsidiaries.

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Condensed Consolidating Statement of Comprehensive Income (Loss)
Six Months Ended June 30, 2016
(unaudited, in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated
Revenue:					
Retail merchandise sales	$—	$ 85,284	$ 149,035	$ —	$ 234,319
Pawn loan fees	—	40,683	62,628	—	103,311
Consumer loan and credit services fees	—	9,465	1,137	—	10,602
Wholesale scrap jewelry revenue	—	9,453	7,497	—	16,950
Total revenue	—	144,885	220,297	—	365,182
Cost of revenue:					
Cost of retail merchandise sold	—	51,440	94,327	—	145,767
Consumer loan and credit services loss provision	—	2,104	263	—	2,367
Cost of wholesale scrap jewelry sold	—	7,783	5,941	—	13,724
Total cost of revenue	—	61,327	100,531	—	161,858
Net revenue	—	83,558	119,766	—	203,324
Expenses and other income:					
Store operating expenses	—	47,063	62,926	—	109,989
Administrative expenses (1)	14,392	—	19,385	—	33,777
Merger and acquisition expenses	4,479	—	—	—	4,479
Depreciation and amortization	414	3,326	6,144	—	9,884
Interest expense	8,716	—	70	—	8,786
Interest income	(4)	—	(494)	—	(498)
Total expenses and other income	27,997	50,389	88,031	—	166,417
Income (loss) before income taxes	(27,997)	33,169	31,735	—	36,907
Provision for income taxes	(10,563)	12,300	10,323	—	12,060
Income (loss) before equity in net income of subsidiaries	(17,434)	20,869	21,412	—	24,847
Equity in net income of subsidiaries	42,281	—	—	(42,281)	—
Net income (loss)	$24,847	$ 20,869	$ 21,412	$ (42,281)	$ 24,847
Other comprehensive income (loss):					
Currency translation adjustment	(16,703)	—	—	—	(16,703)
Comprehensive income (loss)	$8,144	$ 20,869	$ 21,412	$ (42,281)	$ 8,144

(1) Includes the allocation of certain administrative expenses and the payment of royalties between the Parent Company and certain foreign Non-Guarantor Subsidiaries.

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

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated
Revenue:					
Retail merchandise sales	$—	$ 79,782	$ 136,297	$ —	$ 216,079
Pawn loan fees	—	40,937	55,300	—	96,237
Consumer loan and credit services fees	—	13,033	1,272	—	14,305
Wholesale scrap jewelry revenue	—	9,203	7,822	—	17,025
Total revenue	—	142,955	200,691	—	343,646
Cost of revenue:					
Cost of retail merchandise sold	—	46,039	87,843	—	133,882
Consumer loan and credit services loss provision	—	2,547	159	—	2,706
Cost of wholesale scrap jewelry sold	—	8,192	6,049	—	14,241
Total cost of revenue	—	56,778	94,051	—	150,829
Net revenue	—	86,177	106,640	—	192,817
Expenses and other income:					
Store operating expenses	—	44,960	59,107	—	104,067
Administrative expenses (1)	12,697	—	14,635	—	27,332
Merger and acquisition expenses	1,175	—	—	—	1,175
Depreciation and amortization	405	3,327	5,282	—	9,014
Interest expense	8,146	—	—	—	8,146
Interest income	(3)	—	(734)	—	(737)
Total expenses and other income	22,420	48,287	78,290	—	148,997
Income (loss) before income taxes	(22,420)	37,890	28,350	—	43,820
Provision for income taxes	(7,859)	14,055	7,497	—	13,693
Income (loss) before equity in net income of subsidiaries	(14,561)	23,835	20,853	—	30,127
Equity in net income of subsidiaries	44,688	—	—	(44,688)	—
Net income (loss)	$30,127	$ 23,835	$ 20,853	$ (44,688)	$ 30,127
Other comprehensive income (loss):					
Currency translation adjustment	(13,656)	—	—	—	(13,656)
Comprehensive income (loss)	$16,471	$ 23,835	$ 20,853	$ (44,688)	$ 16,471

(1) Includes the allocation of certain administrative expenses and the payment of royalties between the Parent Company and certain foreign Non-Guarantor Subsidiaries.

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Condensed Consolidating Statement of Cash Flows
Six Months Ended June 30, 2016
(unaudited, in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated
Cash flow from operating activities:					
Net cash flow provided by (used in) operating activities	$29,473	$ 30,050	$ 21,687	$ (41,637)	$ 39,573
Cash flow from investing activities:					
Loan receivables, net of cash repayments	—	7,354	(16,820)	—	(9,466)
Purchases of property and equipment	(829)	(10,410)	(5,834)	—	(17,073)
Acquisitions of pawn stores, net of cash acquired	—	(1,324)	(26,329)	—	(27,653)
Investing activity with subsidiaries	(12,015)	—	—	12,015	—
Net cash flow provided by (used in) investing activities	(12,844)	(4,380)	(48,983)	12,015	(54,192)
Cash flow from financing activities:					
Borrowings from revolving credit facilities	29,500	—	—	—	29,500
Repayments of revolving credit facilities	(37,000)	—	—	—	(37,000)
Repayments of notes payable	—	—	(6,532)	—	(6,532)
Debt issuance costs paid	(23)	—	—	—	(23)
Dividends paid	(7,061)	—	—	—	(7,061)
Proceeds from intercompany financing related activity	—	11,734	281	(12,015)	—
Intercompany dividends paid	—	(38,551)	(3,086)	41,637	—
Net cash flow provided by (used in) financing activities	(14,584)	(26,817)	(9,337)	29,622	(21,116)
Effect of exchange rates on cash	—	—	(4,945)	—	(4,945)
Change in cash and cash equivalents	2,045	(1,147)	(41,578)	—	(40,680)
Cash and cash equivalents at beginning of the period	5,460	3,765	77,729	—	86,954
Cash and cash equivalents at end of the period	$7,505	$ 2,618	$ 36,151	$ —	$ 46,274

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

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated
Cash flow from operating activities:					
Net cash flow provided by (used in) operating activities	$18,314	$31,190	$30,441	$(38,036)	$41,909
Cash flow from investing activities:					
Loan receivables, net of cash repayments	—	4,519	(8,490)	—	(3,971)
Purchases of property and equipment	(490)	(3,112)	(4,998)	—	(8,600)
Acquisitions of pawn stores, net of cash acquired	—	(25,350)	(6,250)	—	(31,600)
Investing activity with subsidiaries	(35,063)	—	—	35,063	—
Net cash flow provided by (used in) investing activities	(35,553)	(23,943)	(19,738)	35,063	(44,171)
Cash flow from financing activities:					
Borrowings from revolving credit facilities	63,055	—	—	—	63,055
Repayments of revolving credit facilities	(29,455)	—	—	—	(29,455)
Purchases of treasury stock	(22,974)	—	—	—	(22,974)
Proceeds from exercise of share-based compensation awards	2,901	—	—	—	2,901
Income tax benefit from exercise of stock options	1,617	—	—	—	1,617
Proceeds from intercompany financing related activity	—	28,462	6,601	(35,063)	—
Intercompany dividends paid	—	(36,043)	(1,993)	38,036	—
Net cash flow provided by (used in) financing activities	15,144	(7,581)	4,608	2,973	15,144
Effect of exchange rates on cash	—	—	(3,444)	—	(3,444)
Change in cash and cash equivalents	(2,095)	(334)	11,867	—	9,438
Cash and cash equivalents at beginning of the period	7,799	3,146	57,047	—	67,992
Cash and cash equivalents at end of the period	$5,704	$2,812	$68,914	$—	$77,430

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Certain amounts in the above condensed consolidating financial statements for the periods ended June 30, 2015 have been reclassified in order to conform to the 2016 presentation and revised to correct certain prior-year errors as more fully described in the Company's annual report on Form 10-K for the year ended December 31, 2015. 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.

The impact of these reclassifications and revisions to the condensed consolidating financial statements for the periods ended June 30, 2015 are summarized in the tables below:

Summary Condensed Consolidating Balance Sheet
June 30, 2015
(unaudited, in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated
Total assets, as reported:	$898,254	$ 308,668	$ 616,223	$(1,073,571)	$ 749,574
Reclassifications	(4,436)	64,591	(64,591)	(568)	(5,004)
Revisions	(193,945)	—	(193,943)	387,888	—
Total assets, revised	$699,873	$ 373,259	$ 357,689	$(686,251)	$ 744,570
Total liabilities, as reported:	$445,508	$ 20,018	$ 25,747	$(194,444)	$ 296,829
Reclassifications	(4,436)	4,753	(4,753)	(568)	(5,004)
Revisions	(175,054)	—	8,826	185,118	18,890
Total liabilities, revised	$266,018	$ 24,771	$ 29,820	$(9,894)	$ 310,715
Total stockholders' equity, as reported:	$452,746	$ 288,650	$ 590,476	$(879,127)	$ 452,745
Reclassifications	—	59,838	(59,838)	—	—
Revisions	(18,891)	—	(202,769)	202,770	(18,890)
Total stockholders' equity, revised	$433,855	$ 348,488	$ 327,869	$(676,357)	$ 433,855

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

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated
Net income (loss), as reported:	$(7,469)	$ 9,537	$ 11,271	$ —	$ 13,339
Reclassifications	20,808	773	(773)	(20,808)	—
Net income (loss), revised	$13,339	$ 10,310	$ 10,498	$ (20,808)	$ 13,339
Other comprehensive income (loss), as reported:	$(7,469)	$ 9,537	$ 6,944	$ —	$ 9,012
Reclassifications	20,808	773	(773)	(20,808)	