

EZCORP INC  
Form 10-Q  
May 09, 2016  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 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 No. 0-19424

EZCORP, INC.

(Exact name of registrant as specified in its charter)

Delaware

74-2540145

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

2500 Bee Cave Road, Rollingwood, Texas

78746

(Address of principal executive offices)

(Zip Code)

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

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

Large accelerated filer

Accelerated filer

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

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

**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.

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As of May 2, 2016, 50,976,110 shares of the registrant's Class A Non-voting 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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Table of Contents

EZCORP, Inc.

INDEX TO FORM 10-Q

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Balance Sheets as of March 31, 2016 and 2015 (Unaudited) and September 30, 2015 1

Condensed Consolidated Statements of Operations for the Three Months and Six Months Ended March 31, 2016 and 2015 (Unaudited) 3

Condensed Consolidated Statements of Comprehensive Loss for the Three Months and Six Months Ended March 31, 2016 and 2015 (Unaudited) 4

Condensed Consolidated Statements of Cash Flows for the Six Months Ended March 31, 2016 and 2015 (Unaudited) 5

Condensed Consolidated Statements of Stockholders' Equity for the Six Months Ended March 31, 2016 and 2015 (Unaudited) 7

Notes to Interim Condensed Consolidated Financial Statements (Unaudited) 8

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 40

Item 3. Quantitative and Qualitative Disclosures about Market Risk 72

Item 4. Controls and Procedures 72

PART II — OTHER INFORMATION

Item 1. Legal Proceedings 74

Item 1A. Risk Factors 74

Item 5. Other Information 74

Item 6. Exhibits 75

SIGNATURES 76

EXHIBIT INDEX 77

Table of Contents

## PART I — FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

EZCORP, Inc.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	March 31, 2016	March 31, 2015	September 30, 2015
	(Unaudited)		
Assets:			
Current assets:			
Cash and cash equivalents	\$75,336	\$138,173	\$59,124
Restricted cash	13,817	47,909	15,137
Pawn loans	140,195	127,929	159,964
Consumer loans, net	26,362	55,529	36,533
Pawn service charges receivable, net	27,626	24,909	30,852
Consumer loan fees and interest receivable, net	13,226	13,063	19,802
Inventory, net	126,446	116,144	124,084
Income taxes receivable	557	52,234	45,175
Prepaid expenses and other current assets	32,505	32,383	21,076
Total current assets	456,070	608,273	511,747
Investment in unconsolidated affiliate	56,677	94,510	56,182
Property and equipment, net	64,962	102,252	75,594
Restricted cash, non-current	2,308	2,880	2,883
Goodwill	254,782	344,931	327,460
Intangible assets, net	40,197	49,674	41,263
Non-current consumer loans, net	62,673	79,860	75,824
Deferred tax asset, net	77,125	35,213	69,121
Other assets, net	19,655	60,041	42,985
Total assets (1)(3)	\$1,034,449	\$1,377,634	\$1,203,059
Liabilities, temporary equity and equity:			
Current liabilities:			
Current maturities of long-term debt	\$82,174	\$71,471	\$74,345
Current capital lease obligations	—	93	—
Accounts payable and other accrued expenses	85,836	89,711	107,871
Other current liabilities	2,595	6,230	15,384
Customer layaway deposits	11,370	10,484	10,470
Income taxes payable	6,632	—	—
Total current liabilities	188,607	177,989	208,070
Long-term debt, less current maturities, net	252,808	344,960	297,166
Deferred gains and other long-term liabilities	2,751	7,673	6,157
Total liabilities (2)(4)	444,166	530,622	511,393
Commitments and contingencies (Note 11)			
Temporary equity:			
Class A Non-voting Common Stock, subject to possible redemption at \$10.06 per share; none as of March 31, 2016 and 1,168,456 shares issued and outstanding at redemption value as of March 31, 2015 and September 30, 2015	—	11,696	11,696

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Redeemable noncontrolling interest	(1,229	) 16,827	3,235
Total temporary equity	(1,229	) 28,523	14,931
Stockholders' equity:			
Class A Non-voting Common Stock, par value \$.01 per share; shares authorized: 100 million as of March 31, 2016 and 2015 and September 30, 2015; issued and outstanding: 50,989,430 as of March 31, 2016; 50,681,477 as of March 31, 2015; and 50,726,289 as of September 30, 2015	510	506	507
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	312,569	329,973	307,080
Retained earnings	341,538	522,541	423,137
Accumulated other comprehensive loss	(62,805	) (34,561	) (54,019
EZCORP, Inc. stockholders' equity	591,842	818,489	676,735
Noncontrolling interest	(330	) —	—
Total equity	591,512	818,489	676,735
Total liabilities, temporary equity and equity	\$1,034,449	\$1,377,634	\$1,203,059
See accompanying notes to unaudited interim condensed consolidated financial statements.			

Table of Contents

## Assets and Liabilities of Consolidated Variable Interest Entities (See Note 16)

(1) Our consolidated assets as of March 31, 2016 and 2015 and September 30, 2015 include the following assets of our consolidated variable interest entities:

	March 31, 2016	March 31, 2015	September 30, 2015
	(Unaudited)		
	(in thousands)		
Restricted cash	\$397	\$2,084	\$1,361
Consumer loans, net	6,607	14,826	5,846
Consumer loan fees and interest receivable, net	3,559	3,577	6,399
Non-current consumer loans, net	17,245	32,511	27,162
Total assets	\$27,808	\$52,998	\$40,768

(2) Our consolidated liabilities as of March 31, 2016 and 2015 and September 30, 2015 include the following liabilities of our consolidated variable interest entities:

	March 31, 2016	March 31, 2015	September 30, 2015
	(Unaudited)		
	(in thousands)		
Accounts payable and other accrued expenses	\$6,065	\$3,153	\$4,313
Current maturities of long-term debt	37,177	48,246	42,017
Long-term debt, less current maturities	13,704	51,888	31,247
Total liabilities	\$56,946	\$103,287	\$77,577

This amount has been revised from the originally filed amount due to an immaterial reclassification error between \*current and non-current amounts as of September 30, 2015. The consolidated amounts previously reported in the balance sheet were correct.

## Assets and Liabilities of Grupo Finmart Securitization Trust (See Note 16)

(3) Our consolidated assets as of March 31, 2016 and 2015 and September 30, 2015 include the following assets of Grupo Finmart's securitization trust that can only be used to settle its liabilities:

	March 31, 2016	March 31, 2015	September 30, 2015
	(Unaudited)		
	(in thousands)		
Restricted cash	\$4,869	\$21,835	\$12,033
Consumer loans*	39,453	34,803	36,845
Consumer loan fees and interest receivable, net	7,424	5,182	6,067
Restricted cash, non-current	196	119	197
Total assets	\$51,942	\$61,939	\$55,142

These amounts include the current and non-current portions of active consumer loans considered to be performing \*under the terms of the Grupo Finmart securitization trust. These balances, which represent the total collateral that can be used to settle the liabilities of the securitization trust, exclude loan loss allowances as described in Note 13, and are presented on a net basis in the condensed consolidated balance sheets including allowances.

(4) Our consolidated liabilities as of March 31, 2016 and 2015 and September 30, 2015 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, 2016	March 31, 2015	September 30, 2015
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(Unaudited)  
(in thousands)

Long-term debt, less current maturities \$33,613 \$ 44,837 \$ 40,493

See accompanying notes to unaudited interim condensed consolidated financial statements.

2

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Table of Contents

EZCORP, Inc.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2016	2015	2016	2015
	(Unaudited)			
	(in thousands, except per share amounts)			
Revenues:				
Merchandise sales	\$109,343	\$107,852	\$217,927	\$217,491
Jewelry scrapping sales	12,780	18,399	22,401	36,933
Pawn service charges	64,130	59,470	130,724	124,397
Consumer loan fees and interest	15,616	18,544	28,804	37,515
Other revenues	30	910	497	1,565
Total revenues	201,899	205,175	400,353	417,901
Merchandise cost of goods sold	68,332	72,492	134,591	144,970
Jewelry scrapping cost of goods sold	11,085	14,354	19,161	29,029
Consumer loan bad debt	8,683	4,761	21,286	13,276
Net revenues	113,799	113,568	225,315	230,626
Operating expenses:				
Operations	80,282	77,190	165,888	157,277
Administrative	15,621	14,800	35,604	27,352
Depreciation and amortization	7,082	8,095	15,141	16,103
Loss on sale or disposal of assets	649	387	682	643
Restructuring	218	704	1,910	726
Total operating expenses	103,852	101,176	219,225	202,101
Operating income	9,947	12,392	6,090	28,525
Interest expense	8,449	11,296	17,641	23,330
Interest income	(127)	(512)	(267)	(1,043)
Equity in net (income) loss of unconsolidated affiliate	(1,877)	3,678	(3,932)	1,484
Impairment of goodwill	73,921	—	73,921	—
Other expense	89	1,862	959	2,621
(Loss) income from continuing operations before income taxes	(70,508)	(3,932)	(82,232)	2,133
Income tax expense	6,189	362	2,493	3,626
Loss from continuing operations, net of tax	(76,697)	(4,294)	(84,725)	(1,493)
(Loss) income from discontinued operations, net of tax	(1,094)	4,731	(1,332)	11,608
Net (loss) income	(77,791)	437	(86,057)	10,115
Net loss from continuing operations attributable to noncontrolling interest	(3,666)	(906)	(4,458)	(2,840)
Net (loss) income attributable to EZCORP, Inc.	\$(74,125)	\$1,343	\$(81,599)	\$12,955
Basic (loss) earnings per share attributable to EZCORP, Inc.:				
Continuing operations	\$(1.33)	\$(0.06)	\$(1.46)	\$0.02
Discontinued operations	(0.02)	0.09	(0.02)	0.22
Basic (loss) earnings per share	\$(1.35)	\$0.03	\$(1.48)	\$0.24
Diluted (loss) earnings per share attributable to EZCORP, Inc.:				
Continuing operations	\$(1.33)	\$(0.06)	\$(1.46)	\$0.02
Discontinued operations	(0.02)	0.09	(0.02)	0.22



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Diluted (loss) earnings per share	\$ (1.35 )	\$ 0.03	\$ (1.48 )	\$ 0.24
Weighted-average shares outstanding:				
Basic	54,843	54,184	54,869	53,915
Diluted	54,843	54,184	54,869	53,972
Net (loss) income from continuing operations attributable to EZCORP, Inc.	\$ (73,031 )	\$ (3,388 )	\$ (80,267 )	\$ 1,347
Net (loss) income from discontinued operations attributable to EZCORP, Inc.	(1,094 )	4,731	(1,332 )	11,608
Net (loss) income attributable to EZCORP, Inc.	\$ (74,125 )	\$ 1,343	\$ (81,599 )	\$ 12,955
See accompanying notes to unaudited interim condensed consolidated financial statements.				

3

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Table of Contents

EZCORP, Inc.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three Months Ended March 31,		Six Months Ended March 31,	
	2016	2015	2016	2015
	(Unaudited)			
	(in thousands)			
Net (loss) income	\$ (77,791)	\$ 437	\$ (86,057)	\$ 10,115
Other comprehensive income (loss):				
Foreign currency translation loss, net of income tax (expense) benefit for our investment in unconsolidated affiliate of (\$752) and \$1,851 for the three and six-months ended March 31, 2016, respectively, and (\$199) and \$220 for the three and six-months ended March 31, 2015, respectively	(2,204 )	(6,897 )	(9,144 )	(27,999 )
Cash flow hedges:				
Amounts reclassified from accumulated other comprehensive loss	—	35	22	387
Other comprehensive loss, net of tax	(2,204 )	(6,862 )	(9,122 )	(27,612 )
Comprehensive loss	\$ (79,995)	\$ (6,425)	\$ (95,179)	\$ (17,497)
Attributable to noncontrolling interest:				
Net loss	(3,666 )	(906 )	(4,458 )	(2,840 )
Foreign currency translation loss	(272 )	(825 )	(337 )	(3,227 )
Amounts reclassified from accumulated other comprehensive loss	—	8	1	94
Comprehensive loss attributable to noncontrolling interest	(3,938 )	(1,723 )	(4,794 )	(5,973 )
Comprehensive loss attributable to EZCORP, Inc.	\$ (76,057)	\$ (4,702)	\$ (90,385)	\$ (11,524)

See accompanying notes to unaudited interim condensed consolidated financial statements.

Table of Contents

EZCORP, Inc.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended March 31,	
	2016	2015
	(Unaudited)	
	(in thousands)	
Operating activities:		
Net (loss) income	\$(86,057)	\$ 10,115
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	15,141	18,097
Amortization of debt discount and consumer loan premium, net	4,357	4,229
Consumer loan loss provision	18,662	14,023
Deferred income taxes	(8,004)	(5,536)
Impairment of goodwill	73,921	—
Amortization of deferred financing costs	1,575	2,625
Amortization of prepaid commissions	7,754	6,200
Other adjustments	(2,149)	380
Loss on sale or disposal of assets	682	950
Stock compensation expense (benefit)	2,149	(1,928)
(Income) loss from investment in unconsolidated affiliate	(3,932)	1,484
Changes in operating assets and liabilities, net of business acquisitions:		
Service charges and fees receivable	10,140	2,542
Inventory	(993)	2,499
Prepaid expenses, other current assets and other assets	(5,935)	(16,949)
Accounts payable, other accrued expenses, deferred gains and other long-term liabilities	(12,112)	(5,925)
Customer layaway deposits	851	1,947
Restricted cash	(4,860)	(835)
Income taxes receivable	51,250	4,427
Payments of restructuring charges	(6,701)	(2,962)
Dividends from unconsolidated affiliate	—	2,407
Net cash provided by operating activities	55,739	37,790
Investing activities:		
Loans made	(323,980)	(417,014)
Loans repaid	225,138	334,888
Recovery of pawn loan principal through sale of forfeited collateral	121,830	138,885
Additions to property and equipment	(2,976)	(15,934)
Acquisitions, net of cash acquired	(6,000)	(4,750)
Investment in unconsolidated affiliate	—	(12,140)
Proceeds from sale of assets	26	—
Net cash provided by investing activities	14,038	23,935
Financing activities:		
Payout of deferred consideration	(14,875)	(6,000)
Repurchase of redeemable common stock issued due to acquisitions	(11,750)	—
Proceeds from settlement of forward currency contracts	3,557	2,313
Change in restricted cash	6,519	11,476
Proceeds from bank borrowings, net of debt issuance costs	14,302	69,384
Payments on bank borrowings and capital lease obligations	(47,698)	(51,677)

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Net cash (used in) provided by financing activities	(49,945 )	25,496
Effect of exchange rate changes on cash and cash equivalents	(3,620 )	(4,373 )
Net increase in cash and cash equivalents	16,212	82,848
Cash and cash equivalents at beginning of period	59,124	55,325
Cash and cash equivalents at end of period	\$75,336	\$138,173

5

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Table of Contents

EZCORP, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Non-cash investing and financing activities:

Pawn loans forfeited and transferred to inventory	\$122,709	\$119,028
Issuance of common stock, subject to possible redemption, due to acquisition	—	11,696
Deferred consideration	—	250

See accompanying notes to unaudited interim condensed consolidated financial statements.

6

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Table of Contents

EZCORP, Inc.

## CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional	Retained	Accumulated	EZCORP,
	Shares	Par Value	Paid-in	Earnings	Other	Inc.
			Capital		Comprehensive	Stockholders'
					Loss	Equity
(Unaudited, except balances as of September 30, 2015 and 2014)						
(in thousands)						
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	—	—	(1,928 )	—	—	(1,928 )
Release of restricted stock	66	—	—	—	—	—
Excess tax benefit from 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	—	—	—	—	(24,772 )	(24,772 )
Net income attributable to EZCORP, Inc.	—	—	—	12,955	—	12,955
Balances as of March 31, 2015	53,652	\$ 536	\$329,973	\$522,541	\$ (34,561 )	\$ 818,489
Balances as of September 30, 2015	53,696	\$ 537	\$307,080	\$423,137	\$ (54,019 )	\$ 676,735
Stock compensation	—	—	5,954	—	—	5,954
Release of restricted stock	264	3	—	—	—	3
Excess tax benefit from stock compensation	—	—	(372 )	—	—	(372 )
Taxes paid related to net share settlement of equity awards	—	—	(93 )	—	—	(93 )
Amounts reclassified from accumulated other comprehensive loss	—	—	—	—	21	21
Foreign currency translation adjustment	—	—	—	—	(8,807 )	(8,807 )
Net loss attributable to EZCORP, Inc.	—	—	—	(81,599 )	—	(81,599 )
Balances as of March 31, 2016	53,960	\$ 540	\$312,569	\$341,538	\$ (62,805 )	\$ 591,842

See accompanying notes to unaudited interim condensed consolidated financial statements.

Table of Contents

EZCORP, Inc.

Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

March 31, 2016

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

We are a leading provider of pawn loans in the United States and Mexico and consumer loans in Mexico. In the United States and Mexico, we offer pawn loans, which are non-recourse loans collateralized by tangible property, and we sell merchandise, primarily collateral forfeited from pawn lending operations and used merchandise purchased from customers.

Through our 94%-owned subsidiary, Prestaciones Finmart, S.A.P.I. de C.V., SOFOM, E.N.R. ("Grupo Finmart"), headquartered in Mexico City, we offer unsecured installment loans to employees of various Mexican employers (principally federal, state and local government agencies), which are repaid through payroll deductions.

We also own approximately 32% of Cash Converters International Limited ("Cash Converters International"), based in Australia and publicly-traded on the Australian Stock Exchange, which franchises and operates a worldwide network of over 700 locations that provide pawn loans, short-term unsecured loans and other consumer finance products, and buy and sell second-hand goods, with significant store concentration in Australia and the United Kingdom.

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.

The accompanying financial statements should be read in conjunction with the condensed consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended September 30, 2015. The balance sheet as of September 30, 2015 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, 2016 (the "current quarter" and "current six-months," respectively) 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. and its consolidated subsidiaries (collectively, "EZCORP"). All intercompany accounts and transactions have been eliminated in consolidation.

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 entities under the VIE model as described in Note 16. We account for our investment in our unconsolidated affiliate Cash Converters International using the equity method. There have been no changes in significant accounting policies as described in our Annual Report on Form 10-K for the year ended September 30, 2015, other than those described below.

## Table of Contents

### Recasting of Certain Prior Period Information

Certain reclassifications of prior period amounts have been made to conform to the current period presentation. These reclassifications, other than those pertaining to the recasting of prior period segment information and discontinued operations discussed in our Annual Report on Form 10-K for the year ended September 30, 2015 and the adoption of Financial Accounting Standards Board ("FASB") Accounting Standards Updates ("ASU") discussed below, primarily include the following:

Removal of historical corporate overhead allocations totaling \$3.9 million and \$8.2 million for the three and six-months ended March 31, 2015, respectively, from segment level "Operations" expense and inclusion in corporate "Administrative" expense. These allocations were reclassified to provide greater clarity into the results of our segment operations. These changes primarily impacted Note 12 with no net impact on our consolidated financial position, results of operations or cash flows.

Reclassification of "Prepaid income taxes" to "Income taxes receivable" of \$7.9 million as of September 30, 2015 to conform to current period presentation.

### 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 ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition, inventory, loan loss allowances, long-lived and intangible assets, share-based compensation, 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 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 these estimates under different assumptions or conditions.

### Recently Adopted Accounting Policies

#### Simplification of Adjustments to Provisional Amounts Identified During a Measurement Period

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805). 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, with the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at 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 to adjustments to provisional amounts that occur after the date of adoption. We early adopted ASU 2015-16 during the current quarter to reduce the cost and complexity of accounting for and reporting business combinations. There was no material impact of adopting ASU 2015-16 on our consolidated financial position, results of operations or cash flows.

#### Share-Based Awards with Performance Targets that could be Achieved after the Requisite Service Period

In June 2014, the FASB issued ASU 2014-12, Compensation — Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. This ASU requires reporting entities to recognize compensation costs for share-based awards with performance targets in the period in which it becomes probable that the performance targets will be achieved and should represent the compensation cost attributable to the periods for which the requisite service has already been rendered. 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 early adopted ASU 2015-16 during the current quarter and applied the amendments prospectively to all awards granted or modified after the effective date. There was no material impact of adopting ASU 2014-12 on our consolidated financial position, results of operations or cash flows.

### Classification of Deferred Tax Assets

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. This ASU requires reporting entities to classify deferred income taxes as non-current on the condensed consolidated balance sheets. Deferred income taxes were previously required to be classified as current or



non-current on the condensed consolidated balance sheets. 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 may apply the amendment prospectively or retrospectively. We early adopted ASU 2015-17 during the three-months ended December 31, 2015 on a retrospective basis. The impact of adopting ASU 2015-17 on our current period condensed consolidated financial statements was the classification of all deferred tax assets as non-current in addition to the reclassification of current "Deferred tax asset, net" to non-current

Table of Contents

"Deferred tax asset, net" as of March 31, 2015 and September 30, 2015 of \$24.4 million and \$44.1 million, respectively, within the condensed consolidated balance sheets to conform to the current period presentation. Other than these reclassifications, the adoption of ASU 2015-17 did not have an impact on our consolidated financial position, results of operations or cash flows.

**Presentation of Debt Issuance Costs**

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. In addition, in August 2015, FASB issued ASU 2015-15, Interest — Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements-Amendments to SEC Paragraphs Pursuant to Staff Announcement at the June 18, 2015 Emerging Issues Task Force ("EITF") Meeting. Given the absence of authoritative guidance within ASU 2015-03 for debt issuance costs related to line-of-credit arrangements, ASU 2015-15 states the SEC staff 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. The provisions of each ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted for each. A reporting entity should apply each amendment retrospectively. We early adopted ASU 2015-03 during the three-months ended December 31, 2015 on a retrospective basis. The impact of adopting ASU 2015-03 on our current period condensed consolidated financial statements was the classification of all deferred financing costs as a deduction to the corresponding debt in addition to the reclassification of deferred financing costs in "Intangible assets, net" to "Long-term debt less current maturities, net" as of March 31, 2015 and September 30, 2015 of \$11.4 million and \$9.2 million, respectively, within the condensed consolidated balance sheets to conform to the current period presentation. Other than these reclassifications and additional disclosures, the adoption of ASU 2015-03 did not have an impact on our consolidated financial position, results of operations or cash flows.

**Reporting Discontinued Operations**

In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) — Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This ASU provides guidance for the reporting of discontinued operations if (1) a component or group of components of an entity meets the criteria in FASB Accounting Standards Codification ("ASC") Paragraph 205-20-45-1E to be classified as held for sale; (2) the component of an entity or group of components of an entity is disposed of by sale; or (3) the component of an entity or group of components of an entity is disposed of other than by sale (for example, by abandonment or in a distribution to owners in a spinoff). Among other disclosures, ASU 2014-08 requires an entity to present, for each comparative period, the assets and liabilities of a disposal group that includes a discontinued operation separately in the asset and liability sections, respectively, of the statement of financial position. ASU 2014-08 is effective prospectively for (1) all disposals of components that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years; and (2) all businesses or nonprofit activities that, on acquisition, are classified as held for sale that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. There was no impact of adopting ASU 2014-08 on our consolidated financial position, results of operations or cash flows.

**Recently Issued Accounting Pronouncements**

In March 2016, the FASB issued ASU 2016-09, Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. This ASU simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. 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 should apply the amendment using transition guidance for each aspect of the ASU. We are in the process of evaluating the impact of adopting ASU 2016-09 on our financial position, results of operations and cash flows.

In March 2016, the FASB issued ASU 2016-06, Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments a consensus of the FASB Emerging Issues Task Force. This ASU clarifies what steps are required when assessing whether the economic characteristics and risks of call (put) options are clearly and closely related to the economic characteristics and risks of their debt hosts, which is one of the criteria for bifurcating an embedded derivative. 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 should apply the amendment modified retrospective basis to existing debt instruments as of the beginning of the fiscal year for which the amendments are effective. We are in the process of evaluating the impact of adopting ASU 2016-06 on our financial position, results of operations and cash flows.

Table of Contents

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU requires companies to generally recognize on the balance sheet operating and financing lease liabilities and corresponding right-of-use assets. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted based upon guidance issued within the ASU. We anticipate adoption of this ASU on a modified retrospective basis using various practical expedients. We are in the process of evaluating the impact of adopting ASU 2016-02 on our financial position, results of operations and cash flows.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. This ASU makes targeted improvements to the accounting for, and presentation and disclosure of, financial assets and liabilities. The ASU further requires separate presentation of financial assets and financial liabilities by measurement category on the balance sheet or the accompanying notes to the financial statements. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted based upon guidance issued within the ASU. A reporting entity should apply the amendment prospectively, with a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. We are in the process of evaluating the impact of adopting ASU 2016-01 on our financial position, results of operations and 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. The amendments in ASU 2014-09 will be added to the Accounting Standards Codification as Topic 606, Revenue from Contracts with Customers, and will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, as well as some cost guidance in Subtopic 605-35, Revenue Recognition - Construction-Type and Production-Type Contracts. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, the guidance provides that an entity should apply the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the entity satisfies a performance obligation. Notably, the existing requirements for the recognition of a gain or loss on the transfer of non-financial assets that are not in a contract with a customer (e.g., assets within the scope of Topic 360, Property, Plant, and Equipment, and intangible assets within the scope of Topic 350, Intangibles — Goodwill and Other) are amended to be consistent with the guidance on recognition and measurement in ASU 2014-09. The new standard allows for two methods of adoption: (a) full retrospective adoption, meaning the standard is applied to all periods presented, or (b) modified retrospective adoption, meaning the cumulative effect of applying the new standard is recognized as an adjustment to the fiscal 2017 opening retained earnings balance. In April 2016 and March 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Consensus of the FASB Emerging Issues Task Force and ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), respectively. ASU 2016-10 and ASU 2016-08 clarify identifying performance obligations and licensing implementation guidance and implementation guidance on principal versus agent considerations in ASU 2014-09, respectively, and are effective upon adoption of ASU 2014-09. We are evaluating the impact that will result from adopting ASU 2014-09 on our financial position, results of operations, and cash flows.

## NOTE 2: DISCONTINUED OPERATIONS AND RESTRUCTURING

## Discontinued Operations

During the fourth quarter of fiscal 2015, in the context of a transformational change in strategy following an intensive six-month review of all Company activities, we implemented a plan that included exiting our U.S. financial services business ("USFS"). During the fourth quarter of fiscal 2014, as part of our new strategy to concentrate on an integrated, customer-centric financial services model that is focused on our core businesses of pawn and unsecured payroll lending, we implemented a plan to exit our online lending businesses in the United States (EZOnline) and the United Kingdom (Cash Genie). These costs are included under "(Loss) income from discontinued operations, net of tax" in our condensed consolidated statements of operations.

The following table summarizes the pre-tax charges, inclusive of the charges presented in the accrued lease termination costs, severance costs and other costs rollforward below, pertaining to the above discontinued operations:

Three Months Ended March 31, 2016	Three Months Ended March 31, 2015	Six Months Ended March 31, 2016	Six Months Ended March 31, 2015
--------------------------------------------------	--------------------------------------------------	------------------------------------------------	------------------------------------------------

(in thousands)

Other (a) \$1,203 \$4,025 \$2,733 \$4,025

Includes estimated costs related to employee severance and accelerated amortization of prepaid expenses and other assets in addition to a one-time charge of \$3.3 million related to Cash Genie regulatory compliance recorded during (a) the six-months ended March 31, 2015. The costs incurred during fiscal 2016 are primarily the result of final payments associated with the physical exit of USFS stores.

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 and are primarily expected to be paid during fiscal 2016. Changes in these amounts during the three and six-months ended March 31, 2016 and 2015 are summarized as follows:

Three Month Ended March 31, 2016	Three Months Ended March 31, 2015	Six Months Ended March 31, 2016	Six Months Ended March 31, 2015
-------------------------------------------------	--------------------------------------------------	------------------------------------------------	------------------------------------------------

(in millions)

Beginning balance (a)	\$9.0	\$7.8	\$16.9	\$8.9
Charged to expense	1.2	4.0	2.7	4.0
Cash payments	(2.0 )	(0.7 )	(11.5 )	(1.4 )
Other (b)	(0.1 )	(0.9 )	—	(1.3 )
Ending balance	\$8.1	\$10.2	\$8.1	\$10.2

Beginning balance as of September 30, 2015 includes a \$10.5 million charge associated with the settlement of (a) outstanding issues with the U.S. Consumer Financial Protection Bureau. We expect this amount to primarily be paid out during fiscal 2016; however ultimate settlement of certain portions may occur in fiscal 2017.

(b) Includes adjustments due to foreign currency effects and other individually immaterial adjustments.

Total revenue included in "(Loss) income from discontinued operations, net of tax" in our condensed consolidated statements of operations for the three-months ended March 31, 2016 were nominal. Total revenue included in "(Loss) income from discontinued operations, net of tax" in our condensed consolidated statements of operations for the six-months ended March 31, 2016 was \$2.1 million. Total revenue included in "(Loss) income from discontinued operations, net of tax" in our condensed consolidated statements of operations for the three and six-months ended

March 31, 2015 was \$36.5 million and \$77.8 million, respectively. All revenue, expense and income reported in these condensed consolidated financial statements have been adjusted to reflect reclassification of all discontinued operations.

Restructuring

Fiscal 2015

During the fourth quarter of fiscal 2015, in the context of a transformational change in strategy following an intensive six-month review of all Company activities, we implemented a plan that included streamlining our structure and operating model to improve overall efficiency and reduce costs. The costs of streamlining our structure and operating model are included under "Restructuring" expenses in our condensed consolidated statements of operations and are allocated to certain of our segments as presented in Note 12.

The following table summarizes the pre-tax charges, inclusive of the charges presented in the changes in the balance of restructuring costs rollforward below:

	Three Months Ended March 31, 2016	Six Months Ended March 31, 2016
	(in thousands)	
Other (a)	\$218	\$768
Asset disposals	—	323
Lease termination costs	—	819
	\$218	\$1,910

(a) Includes costs related to employee severance and other.

Accrued lease termination costs, severance costs and other costs related to restructuring are included under "Accounts payable and other accrued expenses" in our condensed consolidated balance sheets. Changes in these amounts during the three and six-months ended March 31, 2016 are summarized as follows:

	Three Months Ended March 31, 2016	Six Months Ended March 31, 2016
	(in thousands)	
Beginning balance	\$6,718	\$8,076
Charged to expense	218	1,594
Cash payments	(1,758 )	(3,800 )
Other (a)	—	(692 )
Ending balance	\$5,178	\$5,178

(a) Includes other individually immaterial adjustments.

The above amount includes accrued lease termination costs of \$4.9 million that we expect to be partially offset by future sublease payments through 2029. The remaining other amounts accrued are expected to be paid during fiscal 2016.

Fiscal 2014

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. Restructuring charges related to this action are considered corporate costs and therefore are not allocated to specific segments. Changes in these amounts during the three and six-months ended March 31, 2016 and 2015 are summarized as follows:

	Three Months Ended March 31, 2016	Six Months Ended March 31, 2016	Six Months Ended March 31, 2015
	(in thousands)		
Beginning balance	\$-3,858	\$2,901	\$6,121
Charged to expense	—726	—	726

Cash payments	—(699 )	(2,901 )	(2,962 )
Ending Balance	\$—\$3,885	\$—	\$3,885

NOTE 3: ACQUISITIONS

On February 1, 2016, we acquired six pawn stores in the Houston, Texas area doing business under the "Pawn One" brand. The aggregate purchase price was \$6.2 million in cash, inclusive of all ancillary arrangements, of which \$3.2 million was recorded as goodwill in the U.S. Pawn segment. 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 acquisition. These benefits include a greater presence in the Houston area, as well as the ability to further leverage our expense structure through increased scale. We expect no goodwill recorded as a result of the acquisition to be deductible for tax purposes. We have concluded that this acquisition was immaterial to our overall consolidated financial results and, therefore, have omitted the information that would otherwise be required by FASB ASC 805-10-50-2(h).



Table of Contents

## NOTE 4: EARNINGS PER SHARE

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2016	2015	2016	2015
	(in thousands, except per share amounts)			
Net (loss) income from continuing operations attributable to EZCORP (A)	\$(73,031)	\$(3,388)	\$(80,267)	\$1,347
Income (loss) from discontinued operations, net of tax (B)	(1,094 )	4,731	(1,332 )	11,608
Net (loss) income attributable to EZCORP (C)	\$(74,125)	\$1,343	\$(81,599)	\$12,955
Weighted-average outstanding shares of common stock (D)	54,843	54,184	54,869	53,915
Dilutive effect of restricted stock*	—	—	—	57
Weighted-average common stock and common stock equivalents (E)	54,843	54,184	54,869	53,972
Basic (loss) earnings per share attributable to EZCORP:				
Continuing operations (A / D)	\$(1.33 )	\$(0.06 )	\$(1.46 )	\$0.02
Discontinued operations (B / D)	(0.02 )	0.09	(0.02 )	0.22
Basic (loss) earnings per share (C / D)	\$(1.35 )	\$0.03	\$(1.48 )	\$0.24
Diluted (loss) earnings per share attributable to EZCORP:				
Continuing operations (A / E)	\$(1.33 )	\$(0.06 )	\$(1.46 )	\$0.02
Discontinued operations (B / E)	(0.02 )	0.09	(0.02 )	0.22
Diluted (loss) earnings per share (C / E)	\$(1.35 )	\$0.03	\$(1.48 )	\$0.24
Potential common shares excluded from the calculation of diluted (loss) earnings per share:				
Restricted stock**	1,608	273	1,545	6
Warrants***	14,317	14,317	14,317	14,317
Total potential common shares excluded	15,925	14,590	15,862	14,323

\* As required by FASB ASC 260-10-45-19, amount excludes all potential common shares for periods when there is a loss from continuing operations.

Includes antidilutive share-based awards as well as performance-based and market conditioned share-based awards \*\*that are contingently issuable, but for which the condition for issuance has not been met as of the end of the reporting period.

\*\*\* See Note 7 for discussion of the terms and conditions of these potential common shares.

Weighted-average outstanding shares of common stock for the three and six-months ended March 31, 2016 include the impact of redeemable common stock repurchased as discussed in Note 9.

Table of Contents

## NOTE 5: STRATEGIC INVESTMENTS

As of March 31, 2016, we owned 151,948,000 shares, or approximately 32%, of our unconsolidated affiliate Cash Converters International. The following tables present summary financial information for Cash Converters International's most recently reported results as of March 31, 2016 after translation to U.S. dollars:

	December 31,	
	2015	2014
	(in thousands)	
Current assets	\$ 176,105	\$ 200,682
Non-current assets	143,466	157,737
Total assets	\$ 319,571	\$ 358,419
Current liabilities	\$ 68,857	\$ 75,700
Non-current liabilities	48,263	54,256
Shareholders' equity:		
Equity attributable to owners of the parent	202,450	228,462
Noncontrolling interest	1	1
Total liabilities and shareholders' equity	\$ 319,571	\$ 358,419

Half Year Ended  
December 31,  
2015 2014

	(in thousands)	
Gross revenues	\$ 143,575	\$ 167,206
Gross profit	93,573	104,852
Profit (loss) attributable to:		
Owners of the parent	\$ 11,483	\$(4,717 )
Noncontrolling interest	—	(179 )
Profit (loss) for the year	\$ 11,483	\$(4,896 )

## NOTE 6: GOODWILL AND OTHER INTANGIBLE ASSETS

In accordance with FASB 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 three-months ended March 31, 2016, we evaluated such events and circumstances and concluded that there were indicators of impairment under FASB ASC 350-20-35-3C. These indicators of impairment primarily included a continued decline in our stock price, as well as negative developments in bad debt experience at our Grupo Finmart segment. We performed a quantitative Step 1 analysis as of February 29, 2016 under FASB ASC 350-20-35 and determined that the fair value of each of our reporting units exceeded their carrying value, with the exception of our Grupo Finmart reporting unit. The fair values of each reporting unit were determined based on a discounted cash flow approach using significant unobservable inputs (Level 3) developed using company-specific information. During the quarter ended March 31, 2016, there were no material changes in the fair values of our U.S. Pawn and Mexico Pawn reporting units as compared to their carrying values. There is no goodwill attributable to our Other International reporting unit. We will further perform our required annual impairment test in the fourth quarter of our fiscal 2016.

The Step 1 analysis of our Grupo Finmart reporting unit yielded a valuation of \$46.5 million. Under Step 2 of FASB ASC 350-20-35, we compared the fair value of the reporting unit to the fair value of the reporting unit's net assets and determined that all of the goodwill attributable to the Grupo Finmart reporting unit (\$73.9 million), should be impaired. This impairment was recorded under "Impairment of goodwill" in the condensed consolidated statements of operations under the Grupo Finmart segment during the three-months ended March 31, 2016. No other assets held by

Grupo Finmart were determined to be impaired as of March 31, 2016.

See Note 3 for additional information regarding goodwill acquired in business combinations during the three-months ended March 31, 2016.

Table of Contents

## 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, 2016 and 2015 and September 30, 2015:

	March 31, 2016		March 31, 2015		September 30, 2015	
	Carrying Amount	Debt (Discount) and (Issuance Costs)	Carrying Amount	Debt (Discount) Premium and (Issuance Costs)	Carrying Amount	Debt (Discount) and (Issuance Costs)
	(in thousands)					
Recourse to EZCORP:						
2.125% Cash convertible senior notes due 2019	\$ 192,565	\$(37,435 )	\$ 182,276	\$(47,724 )	\$ 187,471	\$(42,529 )
Cash convertible senior notes due 2019 embedded derivative	3,219	—	27,215	—	10,505	—
Capital lease obligations	—	—	93	—	—	—
Non-recourse to EZCORP*:						
8.2% Secured foreign currency debt up to \$14 million due 2016 (a) (b)	82	(101 )	2,044	(451 )	938	(204 )
14.5% Secured foreign currency debt up to \$17 million due 2017 (a)	17,393	—	19,682	—	17,567	—
5.8% Consumer loans facility due 2019 (b)	33,613	(1,714 )	44,837	(2,989 )	40,493	(2,196 )
8.5% Unsecured notes due 2015	—	—	12,329	(187 )	12,330	(42 )
10% Unsecured notes due 2015	—	—	—	—	1,500	—
11% Unsecured notes due 2015	—	—	4,334	—	3,868	—
17% Secured notes due 2015 consolidated from VIEs	—	—	937	—	—	—
10% Unsecured notes due 2016	1,500	—	844	—	1,885	—
12% Secured notes due 2016	—	—	2,691	67	2,928	—
13% Unsecured notes due 2016	—	—	656	—	1,171	—
15% Unsecured notes due 2016	3,829	—	—	—	233	—
15% Secured notes due 2016 consolidated from VIEs	3,192	—	7,755	—	5,397	—
18% Unsecured notes due 2016	5,797	—	—	—	—	—
10% Unsecured notes due 2017	174	—	—	—	—	—
11% Secured notes due 2017 consolidated from VIEs (c)	37,901	—	76,545	—	56,113	—
12% Secured notes due 2017	2,898	—	—	—	—	—
13.5% Unsecured notes due 2017	5,797	—	—	—	—	—
14.5% Secured notes due 2017 consolidated from VIEs	9,788	—	14,897	—	11,754	—
12.4% Secured notes due 2020	17,234	(214 )	19,389	(358 )	17,358	(268 )
Total	334,982	(39,464 )	416,524	(51,642 )	371,511	(45,239 )
Less current portion	82,174	—	71,564	67	74,345	—
Total long-term debt and capital lease obligations	\$ 252,808	\$(39,464 )	\$ 344,960	\$(51,709 )	\$ 297,166	\$(45,239 )

Even though Grupo Finmart debt may be non-recourse to EZCORP, a default on more than \$25 million of such debt \*could constitute an event of default under our Cash Convertible Notes (described below). See "Part II, Item 1A — Risk Factors."

- (a) Maximum amounts of debt are translated from Mexican pesos to United States dollars as of the most current period end date in which outstanding debt is presented.
- (b) Interest is charged at the Mexican Interbank Equilibrium rate ("TIE") plus an applicable margin. The rate presented is as of March 31, 2016.

Grupo Finmart has entered into foreign exchange forward contracts to mitigate the VIE's currency risk, as (c) described in Notes 15 and 16, and EZCORP has guaranteed the future cash outflows of the forward contracts. See "Part II, Item 1A — Risk Factors."

#### 2.125% Cash Convertible Senior Notes Due 2019

In June 2014 ("Original Issuance Date"), we issued \$200 million aggregate principal amount of 2.125% Cash Convertible Senior Notes due 2019 (the "Cash Convertible Notes"). We granted the initial purchasers the option to purchase up to an additional \$30 million aggregate principal amount of Cash Convertible Notes. That option was exercised in full on June 27,

Table of Contents

2014, and we issued an additional \$30 million principal amount of Cash Convertible Notes on July 2, 2014. All of the Cash Convertible Notes were issued pursuant to an indenture dated June 23, 2014 (the "Indenture") by and between us and Wells Fargo Bank, National Association, as the trustee. The Cash Convertible Notes were issued in a private offering and resold under Rule 144A under the Securities Act of 1933. The Cash Convertible Notes pay interest semi-annually in arrears at a rate of 2.125% per annum on June 15 and December 15 of each year, commencing December 15, 2014, and will mature on June 15, 2019 (the "Maturity Date").

Prior to December 15, 2018, the Cash Convertible Notes will be convertible only upon the occurrence of certain events and during certain periods, and thereafter, at any time prior to the close of business on the second scheduled trading day immediately preceding the Maturity Date. At maturity, the holders of the Cash Convertible Notes will be entitled to receive cash equal to the principal amount of the Cash Convertible Notes plus unpaid accrued interest. The Cash Convertible Notes are unsubordinated unsecured obligations and rank senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the Cash Convertible Notes, equal in right of payment with all of our other unsecured unsubordinated indebtedness, and effectively junior to all debt or other obligations (including trade payables) of our wholly-owned subsidiaries. The Indenture governing the Cash Convertible Notes does not contain any financial covenants.

We incurred transaction costs of approximately \$8.8 million related to the issuance of the Cash Convertible Notes, which we recorded as deferred financing costs and have included as a deduction to the corresponding debt liability. Deferred financing costs are being amortized to interest expense using the effective interest method over the expected term of the Cash Convertible Notes.

Under the terms of our Cash Convertible Notes, payment of dividends requires a conversion rate adjustment equal to the conversion rate in effect immediately prior to the open of business on the ex-dividend date for such dividend multiplied by the last reported sale price of the Class A Non-voting Common Stock ("Class A Common Stock") on the trading day immediately preceding the ex-dividend date for such dividend, divided by the difference between the last reported sale price of the Class A Common Stock on the trading day immediately preceding the ex-dividend date for such dividend and the amount in cash per share we distribute to all or substantially all holders of Class A Common Stock. Should we pay dividends in the future, our certificate of incorporation provides that cash dividends on common stock, when declared, must be declared and paid at the same per share amounts on both classes of stock. Any future determination to pay cash dividends will be at the discretion of our Board of Directors.

#### Cash Convertible Notes Embedded Derivative

We account for the cash conversion feature of the Cash Convertible Notes as a separate derivative instrument (the "Cash Convertible Notes Embedded Derivative"), which had a fair value of \$46.5 million on the issuance date that was recognized as the original issue discount of the Cash Convertible Notes. This original issue discount is being amortized to interest expense over the term of the Cash Convertible Notes using the effective interest method. As of March 31, 2016 and 2015 and September 30, 2014, the Cash Convertible Notes Embedded Derivative was recorded as a non-current liability under "Long-term debt, less current maturities" in our condensed consolidated balance sheets, and will be marked to market in subsequent reporting periods. The classification of the Cash Convertible Notes Embedded Derivative liability as current or non-current on the condensed consolidated balance sheets corresponds with the classification of the net balance of the Cash Convertible Notes as discussed below.

The Cash Convertible Notes are convertible into cash, subject to satisfaction of certain conditions and during the periods described below, based on an initial "Conversion Rate" of 62.2471 shares of Class A Common Stock per \$1,000 principal amount of Cash Convertible Notes (equivalent to an initial "Conversion Price" of approximately \$16.065 per share of our Class A Common Stock). Upon conversion of a note, we will pay cash based on a daily conversion value calculated on a proportionate basis for each trading day in the applicable 80 trading day observation period as described in the Indenture. The conversion rate will not be adjusted for any accrued and unpaid interest.

Holders may surrender their Cash Convertible Notes for conversion into cash prior to December 15, 2018 only under the following circumstances (the "Early Conversion Conditions"): (1) during any fiscal quarter commencing after the fiscal quarter ending on September 30, 2014 (and only during such fiscal quarter), if the last reported sale price of our Class A Common Stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive

trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the “measurement period”) in which the trading price, as defined in the Indenture, per \$1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our Class A Common Stock and the conversion rate on such trading day; or (3) upon the occurrence of specified corporate events, as defined in the Indenture. On or

Table of Contents

after December 15, 2018 until the close of business on the second scheduled trading day immediately preceding the Maturity Date, holders may convert their notes into cash at any time, regardless of the foregoing circumstances. If a holder elects to convert its Cash Convertible Notes in connection with certain make-whole fundamental changes, as that term is defined in the Indenture, that occur prior to the Maturity Date, we will in certain circumstances increase the conversion rate for Cash Convertible Notes converted in connection with such make-whole fundamental changes by a specified number of shares of Class A Common Stock. In addition, the conversion rate is subject to customary anti-dilution adjustments (for example, certain dividend distributions or tender or exchange offer of our Class A Common Stock).

Upon the occurrence of a fundamental change, as defined in the Indenture, holders may require us to repurchase for cash all or any portion of the then outstanding Cash Convertible Notes at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest.

Impact of Early Conversion Conditions on Financial Statements

As of March 31, 2016, the Cash Convertible Notes were not convertible because the Early Conversion Conditions described above had not been met. Accordingly, the net balance of the Cash Convertible Notes was classified as a non-current liability in our condensed consolidated balance sheets as of March 31, 2016 and 2015 and September 30, 2015. The classification of the Cash Convertible Notes as current or non-current in the condensed consolidated balance sheets is evaluated at each balance sheet date and may change from time to time depending on whether any of the Early Conversion Conditions has been met.

If any of the Early Conversion Conditions is met in any future fiscal quarter, we would classify our net liability under the Cash Convertible Notes as a current liability in the condensed consolidated balance sheets as of the end of that fiscal quarter. If none of the Early Conversion Conditions have been met in a future fiscal quarter prior to the one year period immediately preceding the Maturity Date, we would classify our net liability under the Cash Convertible Notes as a non-current liability in the condensed consolidated balance sheets as of the end of that fiscal quarter. If the note holders elect to convert their Cash Convertible Notes prior to maturity, any unamortized discount and transaction costs will be expensed at the time of conversion. If the entire outstanding principal amount had been converted on March 31, 2016, we would have recorded an expense of \$37.4 million associated with the conversion, comprised of \$31.7 million of unamortized debt discount and \$5.7 million of unamortized debt issuance costs. As of March 31, 2016, none of the note holders had elected to convert their Cash Convertible Notes.

Cash Convertible Notes Hedges

In connection with the issuance of the Cash Convertible Notes, we purchased cash-settled call options (the "Cash Convertible Notes Hedges") in privately negotiated transactions with certain of the initial purchasers or their affiliates (in this capacity, the "Option Counterparties"). The Cash Convertible Notes Hedges provide us with the option to acquire, on a net settlement basis, approximately 14.3 million shares of our Class A Common Stock at a strike price of \$16.065, which is equal to the number of shares of our Class A Common Stock that notionally underlie the Cash Convertible Notes and corresponds to the Conversion Price of the Cash Convertible Notes. The Cash Convertible Notes Hedges have an expiration date that is the same as the Maturity Date of the Cash Convertible Notes, subject to earlier exercise. The Cash Convertible Notes Hedges have customary anti-dilution provisions similar to the Cash Convertible Notes. If we exercise the Cash Convertible Notes Hedges, the aggregate amount of cash we will receive from the option counterparties to the Cash Convertible Notes Hedges will cover the aggregate amount of cash that we would be required to pay to the holders of the converted Cash Convertible Notes, less the principal amount thereof. As of March 31, 2016, we have not purchased any shares under the Cash Convertible Notes Hedges.

The aggregate cost of the Cash Convertible Notes Hedges was \$46.5 million (or \$21.3 million net of the total proceeds from the Warrants sold, as discussed below). The Cash Convertible Notes Hedges are accounted for as a derivative asset and are recorded in the condensed consolidated balance sheets at their estimated fair value under "Other assets, net." The Cash Convertible Notes Embedded Derivative liability and the Cash Convertible Notes Hedges asset will be adjusted to fair value each reporting period and unrealized gains and losses will be reflected in the condensed consolidated statements of operations. The Cash Convertible Notes Embedded Derivative and the Cash Convertible Notes Hedges are designed to have similar fair values. Accordingly, the changes in the fair values of these instruments are expected to offset and not have a net impact on the condensed consolidated statements of operations.



The classification of the Cash Convertible Notes Hedges asset as current or long-term on the condensed consolidated balance sheets corresponds with the classification of the Cash Convertible Notes, which is evaluated at each balance sheet date and may change from time to time depending on whether any of the Early Conversion Conditions has been met.

18

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Table of Contents**Cash Convertible Notes Warrants**

In connection with the issuance of the Cash Convertible Notes, we also sold net-share-settled warrants (the “Warrants”) in privately negotiated transactions with the Option Counterparties for the purchase of up to approximately 14.3 million shares of our Class A Common Stock at a strike price of \$20.83 per share, for total proceeds of \$25.1 million, net of issuance costs, which was recorded as an increase in stockholders' equity. The Warrants have customary anti-dilution provisions similar to the Cash Convertible Notes. As a result of the Warrants, we will experience dilution to our diluted earnings per share if our average closing stock price exceeds \$20.83 for any fiscal quarter. The Warrants expire on various dates from September 2019 through February 2020 and must be settled in net shares of our Class A Common Stock. Therefore, upon expiration of the Warrants, we will issue shares of Class A Common Stock to the purchasers of the Warrants that represent the value by which the price of the Class A Common Stock exceeds the strike price stipulated within the particular warrant agreement. As of March 31, 2016, there were 14.3 million warrants outstanding.

**Cash Convertible Notes Interest Expense**

Total interest expense attributable to the Cash Convertible Notes for the three-months ended March 31, 2016 and 2015 was \$4.0 million and \$3.8 million, respectively, comprised of contractual interest expense of \$1.2 million and \$1.2 million, respectively, and debt discount and deferred financing cost amortization of \$2.8 million and \$2.6 million, respectively. Total interest expense attributable to the Cash Convertible Notes for the six-months ended March 31, 2016 and 2015 was \$7.7 million and \$7.4 million, respectively, comprised of contractual interest expense of \$2.4 million and \$2.5 million, respectively, and debt discount and deferred financing cost amortization of \$5.3 million and \$4.9 million, respectively. The effective interest rate approximates 8% after inclusion of deferred financing costs upon adoption of ASU 2015-03, from the effective interest rate of approximately 7% during fiscal 2015.

As of March 31, 2016, the remaining unamortized issuance discount and costs will be amortized over the next three years assuming no early conversion.

**Non-Recourse Debt to EZCORP**

Non-recourse debt amounts in the table above represent Grupo Finmart’s third-party debt, including secured notes consolidated from VIEs. Amounts due in Mexican pesos are translated each reporting period. Effective interest rates approximate stated rates.

**Secured Foreign Currency Debt, Secured Notes not Consolidated from VIEs and Unsecured Notes**

Foreign currency debt and secured notes (not including secured notes consolidated from VIEs, which are discussed below) are secured by Grupo Finmart’s loan portfolio or collateralized cash at Grupo Finmart’s option. As of March 31, 2016 and 2015, Grupo Finmart’s secured foreign currency debt and notes, excluding secured notes consolidated from VIEs, were secured by consumer loans totaling \$36.5 million and \$24.9 million, respectively, included in “Consumer loans, net” and “Non-current consumer loans, net” in our condensed consolidated balance sheets, and collateralized cash totaling \$3.0 million and \$19.2 million, respectively, included in “Restricted cash” and “Restricted cash, non-current” in our condensed consolidated balance sheets. All unsecured notes are collateralized with Grupo Finmart’s assets. During the six-months ended March 31, 2016, Grupo Finmart issued \$6.1 million of 13.5% unsecured notes due September 2016 (repayment term extended through 2017 during the three-months ended March 31, 2016), \$6.1 million of 18% unsecured notes due September 2016 and \$2.3 million of 20% unsecured notes due March 2016 (repaid in full during the three-months ended March 31, 2016). Amounts of debt issued are stated at exchange rates in effect at time of issuance.

During the six-months ended March 31, 2016, Grupo Finmart repaid the following amounts of debt that were outstanding as of September 30, 2015: the remaining \$0.9 million 8.2% secured foreign currency debt due 2016; \$12.3 million 8.5% unsecured notes due 2015; \$1.5 million 10% unsecured notes due 2015; \$3.9 million 11% unsecured notes due 2015; \$2.9 million 12% secured notes due 2016; and \$1.2 million 13% unsecured notes due 2016. Such amounts include the impact of foreign exchange effects and amortization of deferred costs. In addition, portions of other debt amounts still outstanding as of March 31, 2016 were repaid.

**Notes Consolidated from VIEs**

During the year ended September 30, 2014, Grupo Finmart entered into three separate agreements with third party investors and variable interest entities (“VIEs”) to securitize selected loans providing asset backed financing for

operations. The VIEs issued promissory notes to the third party first beneficiaries of the VIEs. The debt described below is collateralized by all of the assets of the VIEs as presented in our condensed consolidated balance sheets described in Note 16.

Table of Contents

The secured notes consolidated from VIEs contain certain prepayment clauses. Where the collections on consumer loans held by the VIEs are greater than anticipated in future reporting periods, we expect an accelerated repayment of the secured notes. See “Assets and Liabilities of Consolidated Variable Interest Entities” included in our condensed consolidated balance sheets.

During the six-months ended March 31, 2016, the VIEs repaid a net \$22.4 million of debt that was outstanding as of September 30, 2015, including the impact of foreign exchange effects and amortization of deferred costs.

**Consumer Loans Facility Due 2019**

On February 17, 2014, Grupo Finmart entered into a new securitization transaction to transfer collection rights of certain eligible consumer loans to a bankruptcy remote trust in exchange for cash as discussed in Note 16.

In addition to the initial net payment of \$6.9 million during the six-months ended March 31, 2016, including the impact of foreign exchange effects and amortization of deferred costs, the facility began amortizing at a monthly rate of \$1.0 million beginning March 2016, which includes principal and interest at TIIE plus an applicable margin, through maturity of the facility in 2019.

**NOTE 8: STOCK COMPENSATION**

During fiscal 2015, we granted awards to employees based upon underlying shares that were not issued, and therefore we accounted for these as phantom share-based awards under FASB ASC 718-30. These awards were classified as a current liability and recorded at their fair value of \$3.9 million in “Accounts payable and other accrued expenses” in our condensed consolidated balance sheets as of September 30, 2015. During the six-months ended March 31, 2016, we issued sufficient shares to allow treatment of these phantom share-based awards as equity awards under FASB ASC 718-20 and reclassified these awards to “Additional paid-in capital” in our condensed consolidated balance sheets. We continue recognizing compensation costs for these awards based on the original grant date fair value as the fair value of these awards have declined since the issuance and thus there were no incremental compensation costs. See Note 14 for additional information regarding the phantom share-based awards.

On May 1, 2010 our Board of Directors approved the adoption of the EZCORP, Inc. 2010 Long-Term Incentive Plan (the “2010 Plan”). The 2010 Plan permits grants of options, restricted stock awards and stock appreciation rights covering up to 1,575,750 shares of our Class A Common Stock plus any shares that become available for issuance under either the 2010 Plan or prior plans as a result of forfeitures or cancellations of awards without delivery of shares or as a result of withholding shares to satisfy tax withholding obligations. In February and March 2015, the Board of Directors and the voting stockholder approved the addition of 643,673 shares and 1,081,200 shares, respectively, to the 2010 Plan. In March 2016, the Board of Directors and the voting stockholder approved the addition of 185,026 shares to the 2010 Plan.

In March 2016, we granted 961,718 restricted stock unit awards (exclusive of canceled and replaced awards discussed below) to employees which were allocated based on the October 1, 2015 price of \$6.17 per share and 130,000 restricted stock awards to non-employee directors with a grant date fair value of \$2.96 per share. The awards granted to employees vest on September 30, 2018 subject to the achievement of certain performance targets. As of March 31, 2016, we considered the achievement of these performance targets probable. The awards granted to non-employee directors vest over two years, 50% on September 30, 2016 and 50% on September 30, 2017. We record compensation costs ratably over the requisite service periods for these awards.

In connection with the March 2016 grant discussed above, we canceled 720,000 previously issued restricted stock awards that were subject to vesting based on certain stock price levels and had a grant date fair value of \$3.4 million and replaced them with 421,394 performance-based restricted stock awards described above. The cancellation and replacement of these awards was treated as a modification with unrecognized compensation cost from the original awards of \$1.5 million plus incremental compensation costs resulting from the modification of \$0.8 million recognized over the new requisite service period through September 30, 2018.

Table of Contents

## NOTE 9: TEMPORARY EQUITY AND NONCONTROLLING INTEREST

The following table provides a summary of the activity in our temporary equity and noncontrolling interest balances during the six-months ended March 31, 2016 and 2015:

	Common Stock, Subject to Possible Redemption	Redeemable Noncontrolling Interest	Total Temporary Equity	Noncontrolling Interest
	(in thousands)			
Balance as of September 30, 2014	\$—	\$ 22,800	\$ 22,800	\$ —
Issuance of common stock, subject to possible redemption	11,696	—	11,696	—
Net loss attributable to noncontrolling interest	—	(2,840)	(2,840)	—
Foreign currency translation adjustment attributable to noncontrolling interest	—	(3,227)	(3,227)	—
Amounts reclassified from accumulated other comprehensive loss	—	94	94	—
Balance as of March 31, 2015	\$11,696	\$ 16,827	\$ 28,523	\$ —
Balances as of September 30, 2015	\$11,696	\$ 3,235	\$ 14,931	\$ —
Repurchase of redeemable common stock	(11,696)	—	(11,696)	—
Net loss attributable to noncontrolling interest	—	(4,134)	(4,134)	(324)
Foreign currency translation adjustment attributable to noncontrolling interest	—	(331)	(331)	(6)
Amounts reclassified from accumulated other comprehensive loss	—	1	1	—
Balances as of March 31, 2016	\$—	\$ (1,229)	\$ (1,229)	\$ (330)

**Common Stock, Subject to Possible Redemption**

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." On the first anniversary of the closing date, the Sellers exercised their right to require us to repurchase the Shares for an aggregate price of \$11.8 million (the "Put Option").

The Put Option was not accounted for separately from the Shares and did not require bifurcation. The Shares were accounted for as common stock, subject to possible redemption under FASB ASC 480 Distinguishing Liabilities from Equity and were included in temporary equity in our condensed consolidated balance sheets prior to March 31, 2016. The Holding Period Adjustment was accounted for as a contingent consideration asset under FASB ASC 805 Business Combinations, was adjusted to fair value each reporting period, and was recorded in our condensed consolidated balance sheets at its estimated fair value under "Other assets, net" prior to March 31, 2016. See Note 14 for additional information regarding the Holding Period Adjustment.

**Grupo Finmart**

On January 30, 2012, we acquired a 60% interest in Grupo Finmart. On June 30, 2014, we acquired an additional 16% of the ordinary shares outstanding of Grupo Finmart, increasing our ownership percentage to 76%. On August 31, 2015, we acquired an additional 18% of the outstanding ordinary shares of Grupo Finmart, increasing our ownership percentage to 94%. The holders of the remaining 6% of the outstanding ordinary shares of Grupo Finmart have the right, exercisable once in fiscal 2016 and once in fiscal 2017, to require us to purchase their remaining shares at a purchase price based on an independent valuation of the business.



Table of Contents

## Noncontrolling Interest

During the six-months ended March 31, 2016, a consolidated subsidiary included in the Other International segment began operations in building an IT marketing platform to provide targeted solutions for our pawn customers. The noncontrolling interest is attributable to the 40% of this subsidiary held by the minority shareholder.

## NOTE 10: INCOME TAXES

The effective tax rate from continuing operations for the three and six-months ended March 31, 2016 was (9)% and (3)%, respectively, of pre-tax (loss) income compared to (9)% and 170%, respectively, for the three and six-months ended March 31, 2015. The effective tax rates changed for the fiscal 2016 periods as a result of losses in foreign jurisdictions with a lower tax rate and permanently non-deductible items, which included the impairment of non-deductible goodwill associated with Grupo Finmart. The effective tax rate for the three-months ended March 31, 2015 was reduced by foreign tax credits and costs paid to offshore affiliates.

In March 2016, we received \$34.2 million as a result of the carryback of fiscal 2015 tax net operating losses.

## NOTE 11: CONTINGENCIES

We are involved in various claims, suits, investigations and legal proceedings, including those described below. We are unable to determine the ultimate outcome of any current litigation or regulatory actions. An unfavorable outcome could have a material adverse effect on our financial condition, results of operations or liquidity. We have not recorded a liability for any of these matters as of March 31, 2016 because we do not believe at this time that any loss is probable or that the amount of any probable loss can be reasonably estimated. The following is a description of significant proceedings.

Shareholder derivative litigation — On July 28, 2014, Lawrence Treppel, a purported holder of Class A Non-voting Common Stock, filed a derivative action in the Court of Chancery of the State of Delaware styled Treppel v. Cohen, et al. (C.A. No. 9962-VCP). The complaint, as originally filed and as amended on September 23, 2014, names as defendants Phillip E. Cohen, the beneficial owner of all of our outstanding Class B Voting Common Stock; several current and former members of our Board of Directors (Joseph J. Beal, Sterling B. Brinkley, John Farrell, Pablo Lagos Espinosa, William C. Love, Thomas C. Roberts and Paul E. Rothamel); three entities controlled by Mr. Cohen (MS Pawn Limited Partnership, the record holder of our Class B Voting Common Stock; MS Pawn Corporation, the general partner of MS Pawn Limited Partnership; and Madison Park LLC); and EZCORP, Inc., as nominal defendant. The amended complaint asserts the following claims:

Claims against the current and former Board members for breach of fiduciary duties and waste of corporate assets in connection with the Board's decision to enter into advisory services agreements with Madison Park from October 2004 to June 2014 (Counts I and II, respectively);

Claims against Mr. Cohen and MS Pawn Limited Partnership for aiding and abetting the breaches of fiduciary duties relating to the advisory services agreements with Madison Park (Count III); and

Claims against Mr. Cohen and Madison Park for unjust enrichment for payments under the advisory services agreements (Count IV).

The plaintiff seeks (a) recovery for the Company in the amount of the damages the Company has sustained as a result of the alleged breach of fiduciary duties, waste of corporate assets and aiding and abetting, (b) disgorgement by Mr. Cohen and Madison Park of the benefits they received as a result of the related party transactions and (c) reimbursement of costs and expenses, including reasonable attorney's fees.

On November 13, 2014, pursuant to the parties' stipulation, the Court dismissed the action as to Mr. Brinkley, Mr. Rothamel and Mr. Lagos.

The remaining defendants filed motions to dismiss, and a hearing on those motions was held before the Court on September 8, 2015. Prior to that hearing, the plaintiff proposed a dismissal without prejudice for the claims against Mr. Beal, Mr. Love and Mr. Farrell. Those defendants continued to seek a dismissal with prejudice that would bind all potential plaintiffs. On January 15, 2016, the Court issued an opinion dismissing the action as to Mr. Beal, Mr. Love and Mr. Farrell with prejudice only as to the plaintiff.

On January 25, 2016, the Court issued a separate opinion granting in part and denying in part the motions to dismiss filed by the remaining defendants. Specifically, the Court granted the motion to dismiss Count IV (unjust enrichment) for failure to state a claim. The Court also dismissed Count III (aiding and abetting) as to Mr. Cohen, but interpreted

Count I (breach of fiduciary

22

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Table of Contents

duty) to state a claim against Mr. Cohen and MS Pawn, as well as Mr. Roberts. The Court otherwise denied the motions to dismiss, including the motion to dismiss Count III (aiding and abetting) against MS Pawn.

On February 4, 2016, the remaining defendants filed an Application for Certification of Interlocutory Appeal, which the plaintiff opposed on February 15, 2016, and the Court set a hearing on the application. On February 22, 2016, the Court denied the Application for Certification of Interlocutory Appeal and provided the plaintiff the opportunity to amend its complaint to add a fiduciary-duty claim as to Mr. Cohen and Madison Park, staying proceedings pending a ruling from the Delaware Supreme Court. After the Application for Certification of Interlocutory Appeal was denied, Mr. Roberts, MS Pawn Corporation and MS Pawn Limited Partnership filed notices of appeal from the interlocutory opinion and order denying the motions to dismiss. On March 10, 2016, the Delaware Supreme Court denied those petitions for an interlocutory appeal.

On March 4, 2016, the plaintiff filed a Second Amended Derivative Complaint against Mr. Roberts, Mr. Cohen, Madison Park, MS Pawn Corporation and MS Pawn Limited Partnership with EZCORP, Inc., as nominal defendant. We intend to continue to defend vigorously against the claims asserted in this lawsuit. Although the lawsuit does not seek relief against the Company, we have certain indemnification obligations to the other defendants (including Madison Park and Mr. Cohen), which obligations include the payment of attorney's fees in advance of the outcome. We cannot predict the outcome of this lawsuit, or the amount of time and expense that will be required to resolve it.

Federal securities litigation (SDNY) — On August 22, 2014, Jason Close, a purported holder of Class A Non-voting Common Stock, for himself and on behalf of other similarly situated holders of Class A Non-voting Common Stock, filed a lawsuit in the United States District Court for the Southern District of New York styled *Close v. EZCORP, Inc., et al.* (Case No. 1:14-cv-06834-ALC). The complaint names as defendants EZCORP, Inc., Paul E. Rothamel (our former chief executive officer) and Mark Kuchenrither (our former chief financial officer and former chief operating officer) and asserts violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. In general, the complaint alleges that the implementation of certain strategic and growth initiatives were less successful than represented by the defendants, that certain of the Company's business units and investments were not performing as well as represented by the defendants and that, as a result, the defendants' disclosures and statements about the Company's business and operations were materially false and misleading at all relevant times.

On October 17, 2014, the Automotive Machinists Pension Plan, also purporting to be the holder of Class A Non-voting Common Stock and acting for itself and on behalf of other similarly situated holders of Class A Non-voting Common Stock, filed a lawsuit in the United States District Court for the Southern District of New York styled *Automotive Machinists Pension Plan v. EZCORP, Inc., et al.* (Case No. 1:14-cv-8349-ALC). The complaint names EZCORP, Inc., Mr. Rothamel and Mr. Kuchenrither as defendants, but also names Mr. Cohen and MS Pawn Limited Partnership. The complaint likewise asserts violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as well as Rule 10b-5 promulgated thereunder, alleging generally that (1) EZCORP and the officer defendants (Mr. Rothamel and Mr. Kuchenrither) issued false and misleading statements and omissions concerning the business and prospects, and compliance history, of the Company's online lending operations in the U.K. and the nature of the Company's consulting relationship with entities owned by Mr. Cohen and the process the Board of Directors used in agreeing to it, and (2) Mr. Cohen and MS Pawn Limited Partnership, as controlling persons of EZCORP, participated in the preparation and dissemination of the Company's disclosures and controlled the Company's business strategy and activities.

On October 21, 2014, the plaintiff in the Automotive Machinists Pension Plan action filed a motion to consolidate the Close action and the Automotive Machinists Pension Plan action and to appoint the Automotive Machinists Pension Plan as the lead plaintiff. On November 18, 2014, the court consolidated the two lawsuits under the caption *In Re EZCORP, Inc. Securities Litigation* (Case No. 1:14-cv-06834-ALC), and on January 26, 2015, appointed the lead plaintiff and lead counsel.

On March 12, 2015, the lead plaintiff filed a Consolidated Amended Class Action Complaint (the "Amended Complaint"). The Amended Complaint asserts violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as well as Rule 10b-5 promulgated thereunder, alleging generally that:

EZCORP and the officer defendants (Mr. Rothamel and Mr. Kuchenrither) issued false and misleading statements and omissions regarding the Company's online lending operations in the U.K. (Cash Genie) and Cash Genie's compliance

history;

EZCORP and the officer defendants issued false and misleading statements and omissions regarding the nature of the Company's consulting relationship with Madison Park LLC (as entity owned by Mr. Cohen) and the process the Board of Directors used in agreeing to it;

EZCORP's financial statements were false and misleading, and violated GAAP and SEC rules and regulations, by failing to properly recognize impairment charges with respect to the Company's investment in Albemarle & Bond; and

23

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Table of Contents

Mr. Cohen and MS Pawn Limited Partnership, as controlling persons of EZCORP, were aware of and controlled the Company's alleged false and misleading statements and omissions.

On April 27 2015, the defendants filed motions to dismiss, and the parties submitted their respective supporting and opposing briefs. On March 31, 2016, the Court granted in part and denied in part the defendants' motions to dismiss. Specifically, it dismissed the Section 10(b) and Rule 10b-5 claims insofar as they were based on (1) the alleged misstatements about the nature of and approval process related to the Company's consulting relationship with Madison Park, (2) the alleged misstatements regarding the impairment of the Company's investment in Albemarle & Bond, and (3) some of the alleged misstatements about Cash Genie. The Section 10(b) and Rule 10b-5 claims survived the motions to dismiss insofar as they were based on certain alleged misstatements about Cash Genie. The Section 20(a) claims also survived the motions to dismiss.

We cannot predict the outcome of the litigation, but we intend to continue to defend vigorously against all allegations and claims.

Federal Securities Litigation (WDT) — On July 20, 2015, Wu Winfred Huang, a purported holder of Class A Non-voting Common Stock, for himself and on behalf of other similarly situated holders of Class A Non-voting Common Stock, filed a lawsuit in the United States District Court for the Western District of Texas styled Huang v. EZCORP, Inc., et al. (Case No. 1:15-cv-00608-SS). The complaint names as defendants EZCORP, Inc., Stuart I. Grimshaw (our chief executive officer) and Mark E. Kuchenrither (our former chief financial officer) and asserts violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The original complaint related to the Company's announcement on July 17, 2015 that it will restate the financial statements for fiscal 2014 and the first quarter of fiscal 2015, and alleged generally that the Company issued materially false or misleading statements concerning the Company, its finances, business operations and prospects and that the Company misrepresented the financial performance of the Grupo Finmart business.

On August 14, 2015, a substantially identical lawsuit, styled Rooney v. EZCORP, Inc., et al. (Case No. 1:15-cv-00700-SS) was also filed in the United States District Court for the Western District of Texas. On September 28, 2015, the plaintiffs in these 2 lawsuits filed an agreed stipulation to be appointed co-lead plaintiffs and agreed that their two actions should be consolidated. On November 3, 2015, the Court entered an order consolidating the two actions under the caption In re EZCORP, Inc. Securities Litigation (Master File No. 1:15-cv-00608-SS), and appointed the two plaintiffs as co-lead plaintiffs, with their respective counsel appointed as co-lead counsel.

On January 11, 2016, the plaintiffs filed an Amended Class Action Complaint (the "Amended Complaint"). In the Amended Complaint, the plaintiffs seek to represent a class of purchasers of our Class A Common Stock between November 6, 2015 and October 20, 2015. The Amended Complaint asserts that the Company and Mr. Kuchenrither violated Section 10(b) of the Securities Exchange Act and Rule 10b-5, issued materially false or misleading statements throughout the proposed class period concerning the Company and its internal controls, specifically regarding the financial performance of Grupo Finmart. The plaintiffs also allege that Mr. Kuchenrither, as a controlling person of the Company, violated Section 20(a) of the Securities Exchange Act. The Amended Complaint does not assert any claims against Mr. Grimshaw. On February 25, 2016, defendants filed a motion to dismiss the lawsuit. The plaintiff filed an opposition to the motion to dismiss on April 11, 2016, and the defendants' reply is due on May 11, 2016.

We cannot predict the outcome of the litigation, but we intend to defend vigorously against all allegations and claims.

SEC Investigation — On October 23, 2014, we received a notice from the Fort Worth Regional Office of the SEC that it was conducting an investigation into certain matters involving EZCORP, Inc. The notice was accompanied by a subpoena, directing us to produce a variety of documents, including all minutes and materials related to Board of Directors and Board committee meetings since January 1, 2009 and all documents and communications relating to our historical advisory services relationship with Madison Park (the business advisory firm owned by Mr. Cohen) and LPG Limited (a business advisory firm owned by Lachlan P. Given, our current Executive Chairman of the Board). The SEC has also issued subpoenas to current and former members of our Board of Directors requesting production of similar documents, as well as to certain third parties, and has conducted interviews with certain individuals. We continue to cooperate fully with the SEC in its investigation.

NOTE 12: SEGMENT INFORMATION

We currently report our segments as follows:

U.S. Pawn — All pawn activities in the United States

Mexico Pawn — All pawn activities in Mexico and other parts of Latin America

Grupo Finmart — All payroll lending activities in Mexico and other parts of Latin America

Table of Contents

Other International — Primarily our equity interest in the net income of Cash Converters International and consumer finance activities in Canada

There are no inter-segment revenues, and the amounts below were determined in accordance with the same accounting principles used in our condensed consolidated financial statements. The following tables present operating segment information for the three and six-months ended March 31, 2016 and 2015, including reclassifications discussed in Note 1 and adjustments to reflect reclassification of all discontinued operations discussed in Note 2.

	Three Months Ended March 31, 2016				Total Segments	Corporate Items	Consolidated
	U.S. Pawn	Mexico Pawn	Grupo Finmart	Other International			
	(in thousands)						
Revenues:							
Merchandise sales	\$94,740	\$14,603	\$—	\$—	\$109,343	\$—	\$109,343
Jewelry scrapping sales	11,599	1,181	—	—	12,780	—	12,780
Pawn service charges	56,614	7,516	—	—	64,130	—	64,130
Consumer loan fees and interest	—	—	13,589	2,027	15,616	—	15,616
Other revenues	49	(117)	98	—	30	—	30
Total revenues	163,002	23,183	13,687	2,027	201,899	—	201,899
Merchandise cost of goods sold	58,241	10,090	—	1	68,332	—	68,332
Jewelry scrapping cost of goods sold	10,128	957	—	—	11,085	—	11,085
Consumer loan bad debt	—	—	8,252	431	8,683	—	8,683
Net revenues	94,633	12,136	5,435	1,595	113,799	—	113,799
Segment and corporate expenses (income):							
Operations	61,240	9,024	8,026	1,992	80,282	—	80,282
Administrative	—	—	—	—	—	15,621	15,621
Depreciation and amortization	3,042	764	476	56	4,338	2,744	7,082
Loss on sale or disposal of assets	546	103	—	—	649	—	649
Restructuring	91	215	—	(2)	304	(86)	218
Interest expense	39	38	4,498	—	4,575	3,874	8,449
Interest income	—	—	(120)	—	(120)	(7)	(127)
Equity in net income of unconsolidated affiliate	—	—	—	(1,877)	(1,877)	—	(1,877)
Impairment of goodwill	—	—	73,921	—	73,921	—	73,921
Other expense (income)	—	(79)	(124)	6	(197)	286	89
Segment (loss) contribution	\$29,675	\$2,071	\$(81,242)	\$1,420	\$(48,076)		
Loss from continuing operations before income taxes					\$(48,076)	\$(22,432)	\$(70,508)

Table of Contents

	Three Months Ended March 31, 2015						
	U.S. Pawn	Mexico Pawn	Grupo Finmart	Other International	Total Segments	Corporate Items	Consolidated
	(in thousands)						
Revenues:							
Merchandise sales	\$92,472	\$14,883	\$—	\$ 497	\$107,852	\$—	\$ 107,852
Jewelry scrapping sales	17,391	917	—	91	18,399	—	18,399
Pawn service charges	52,317	7,153	—	—	59,470	—	59,470
Consumer loan fees and interest	—	—	16,391	2,153	18,544	—	18,544
Other revenues	224	269	49	368	910	—	910
Total revenues	162,404	23,222	16,440	3,109	205,175	—	205,175
Merchandise cost of goods sold	61,490	10,680	—	322	72,492	—	72,492
Jewelry scrapping cost of goods sold	13,463	820	—	71	14,354	—	14,354
Consumer loan bad debt	—	—	4,110	651	4,761	—	4,761
Net revenues	87,451	11,722	12,330	2,065	113,568	—	113,568
Segment and corporate expenses (income):							
Operations	57,920	10,406	7,109	1,755	77,190	—	77,190
Administrative	—	—	—	—	—	14,800	14,800
Depreciation and amortization	3,607	1,101	626	162	5,496	2,599	8,095
Loss on sale or disposal of assets	17	1	—	—	18	369	387
Restructuring	—	—	—	—	—	704	704
Interest expense	5	1	6,376	—	6,382	4,914	11,296
Interest income	(15 )	(24 )	(423 )	—	(462 )	(50 )	(512 )
Equity in net loss of unconsolidated affiliate	—	—	—	3,678	3,678	—	3,678
Other expense	—	282	1,272	7	1,561	301	1,862
Segment contribution (loss)	\$25,917	\$(45 )	\$(2,630)	\$(3,537 )	\$19,705		
Loss from continuing operations before income taxes					\$19,705	\$(23,637)	\$(3,932 )

Table of Contents

Six Months Ended March 31, 2016

	U.S. Pawn	Mexico Pawn	Grupo Finmart	Other International	Total Segments	Corporate Items	Consolidated
(in thousands)							
Revenues:							
Merchandise sales	\$186,734	\$31,189	\$—	\$ 4	\$217,927	\$—	\$ 217,927
Jewelry scrapping sales	21,199	1,181	—	21	22,401	—	22,401
Pawn service charges	115,235	15,489	—	—	130,724	—	130,724
Consumer loan fees and interest	—	—	24,403	4,401	28,804	—	28,804
Other revenues	242	74	181	—	497	—	497
Total revenues	323,410	47,933	24,584	4,426	400,353	—	400,353
Merchandise cost of goods sold	113,702	20,888	—	1	134,591	—	134,591
Jewelry scrapping cost of goods sold	18,188	957	—	16	19,161	—	19,161
Consumer loan bad debt	—	—	20,243	1,043	21,286	—	21,286
Net revenues	191,520	26,088	4,341	3,366	225,315	—	225,315
Segment and corporate expenses (income):							
Operations	124,785	20,217	17,614	3,272	165,888	—	165,888
Administrative	—	—	—	—	—	35,604	35,604
Depreciation and amortization	6,602	1,565	993	107	9,267	5,874	15,141
Loss on sale or disposal of assets	553	129	—	—	682	—	682
Restructuring	982	543	—	202	1,727	183	1,910
Interest expense	125	78	9,563	—	9,766	7,875	17,641
Interest income	(1 )	—	(251 )	—	(252 )	(15 )	(267 )
Equity in net income of unconsolidated affiliate	—	—	—	(3,932 )	(3,932 )	—	(3,932 )
Impairment of goodwill	—	—	73,921	—	73,921	—	73,921
Other expense	—	49	644	3	696	263	959
Segment (loss) contribution	\$58,474	\$3,507	\$(98,143)	\$ 3,714	\$(32,448)		
Loss from continuing operations before income taxes					\$(32,448)	\$(49,784)	\$(82,232 )

Table of Contents

Six Months Ended March 31, 2015

	U.S. Pawn	Mexico Pawn	Grupo Finmart	Other International	Total Segments	Corporate Items	Consolidated
(in thousands)							
Revenues:							
Merchandise sales	\$ 181,914	\$ 34,463	\$—	\$ 1,114	\$ 217,491	\$—	\$ 217,491
Jewelry scrapping sales	34,398	2,324	—	211	36,933	—	36,933
Pawn service charges	109,352	15,045	—	—	124,397	—	124,397
Consumer loan fees and interest	—	—	32,706	4,809	37,515	—	37,515
Other revenues	408	509	105	543	1,565	—	1,565
Total revenues	326,072	52,341	32,811	6,677	417,901	—	417,901
Merchandise cost of goods sold	120,107	24,164	—	699	144,970	—	144,970
Jewelry scrapping cost of goods sold	26,796	2,081	—	152	29,029	—	29,029
Consumer loan bad debt	—	—	11,850	1,426	13,276	—	13,276
Net revenues	179,169	26,096	20,961	4,400	230,626	—	230,626
Segment and corporate expenses (income):							
Operations	117,427	20,926	15,397	3,527	157,277	—	157,277
Administrative	—	—	—	—	—	27,352	27,352
Depreciation and amortization	7,059	2,345	1,192	353	10,949	5,154	16,103
Loss on sale or disposal of assets	17	257	—	—	274	369	643
Restructuring	—	—	—	—	—	726	726
Interest expense	13	2	14,657	—	14,672	8,658	23,330
Interest income	(31)	(24)	(904)	—	(959)	(84)	(1,043)
Equity in net loss of unconsolidated affiliate	—	—	—	1,484	1,484	—	1,484
Other expense	—	720	1,446	10	2,176	445	2,621
Segment contribution (loss)	\$ 54,684	\$ 1,870	\$ (10,827)	\$ (974)	\$ 44,753		
Income from continuing operations before income taxes					\$ 44,753	\$ (42,620)	\$ 2,133

**NOTE 13: ALLOWANCE FOR LOSSES AND CREDIT QUALITY OF CONSUMER LOANS**

Grupo Finmart customers obtain installment loans with a series of payments due over the stated term, which can be as long as four years. We recognize consumer loan interest related to loans we originate based on the percentage of consumer loans made that we believe to be collectible, and reserve the percentage of interest we expect not to collect, over the period in which payments are expected to be received under the effective interest method.

Loans to Grupo Finmart customers whose employment is continuing are referred to as “in-payroll” loans, while loans to Grupo Finmart customers whose employment is discontinued are referred to as “out-of-payroll” loans. A customer is generally considered to have discontinued their employment if they are no longer employed by the employer that is responsible for the payroll withholding. We do not reclassify non-performing loans to performing status if there are subsequent collections on the non-performing loans. We establish reserves for Grupo Finmart loans as follows:

• We reserve 100% of non-performing loans, which for this purpose we consider to be:

• Out-of-payroll loans for which Grupo Finmart is not receiving payments; and

• In-payroll loans for which Grupo Finmart has not received any payments for 180 consecutive days.

• We also establish additional reserves on loan principal and accrued interest reserves for performing loans based on historical experience.





Table of Contents

When we reserve 100% of a Grupo Finmart loan, we charge the loan principal to consumer loan bad debt expense, reduce interest revenue by the amount of unpaid interest theretofore accrued on the loan and cease accruing interest revenue. Future collections are recorded as a reduction of consumer loan bad debt expense (in the case of written-off principal) and an increase in consumer loan fee revenue (in the case of written-off accrued interest) after principal has been recovered. Long-term unsecured consumer loan bad debt expense is included in "Consumer loan bad debt" expense in our condensed consolidated statements of operations.

Grupo Finmart provides an allowance for losses on performing, in-payroll loans and related interest receivable based on historical collection experience. Changes in the principal valuation allowance are charged to "Consumer loan bad debt" expense and changes in the interest receivable valuation allowance are charged to "Consumer loan fees and interest" in our condensed consolidated statements of operations.

Table of Contents

The following table presents changes in the allowance for credit losses, as well as the recorded investment in our financing receivables by portfolio segment for the periods presented and excludes items such as non-sufficient funds fees, repossession fees, auction fees and interest:

Description	Allowance				Provision (Benefit)	Translation Adjustment	Allowance Financing	
	Balance at Beginning of Period	Charge-offs	Recoveries	Balance at End of Period (a)			Balance at End of Period (a)	

(in thousands)

## Unsecured short-term consumer loans:

(b)

Three Months Ended March 31, 2016	\$8,992	\$ (1,152 )	\$ 568	\$ 318	\$ (267 )	\$ 8,459	\$ 10,724
Three Months Ended March 31, 2015	13,368	(7,029 )	3,495	2,862	(479 )	12,217	26,265
Six Months Ended March 31, 2016	11,498	(4,229 )	2,209	(500 )	(519 )	8,459	10,724
Six Months Ended March 31, 2015	14,645	(16,080 )	6,786	7,858	(992 )	12,217	26,265

## Secured short-term consumer loans:

(c)

Three Months Ended March 31, 2016	\$—	\$ —	\$ —	\$—	\$ —	\$—	\$—
Three Months Ended March 31, 2015	1,134	(12,955 )	11,748	889	—	816	5,299
Six Months Ended March 31, 2016	2,004	(2,229 )	436	(211 )	—	—	—
Six Months Ended March 31, 2015	1,049	(27,392 )	24,737	2,422	—	816	5,299

## Unsecured long-term consumer loans:

(a)

Three Months Ended March 31, 2016	\$61,158	\$ (469 )	\$ —	\$ 8,432	\$ 478	\$ 69,599	\$ 156,369
Three Months Ended March 31, 2015	42,182	(101 )	—	4,052	(1,412 )	44,721	161,579
Six Months Ended March 31, 2016	50,645	(1,213 )	—	20,234	(67 )	69,599	156,369
Six Months Ended March 31, 2015	38,087	(268 )	—	11,663	(4,761 )	44,721	161,579

(a) Portions of these amounts are included in "Consumer loans, net" and "Non-current consumer loans, net" in our condensed consolidated balance sheets. These amounts pertain to Grupo Finmart consumer loans.

No aging allowance disclosure provided for these amounts as our policy is to charge-off all amounts on the first (b) day after the due date. These amounts primarily include activity pertaining to our Canadian operations in the Other International segment.

As a result of our discontinuance of USFS, our secured short-term consumer loan balance was reduced to zero as of (c) December 31, 2015. As such, no further aging allowance disclosure has been provided for these amounts. Refer to Note 2 for further detail on discontinued operations.

The following table presents an aging analysis of past due financing receivables held by Grupo Finmart:

	Days Past Due				Total Past Due	Current Receivable	Translation Adjustment	Total Financing Receivable	Allowance Balance	Recorded Investment > 90 Days Accruing
	1-30	31-60	61-90	>90						

(in thousands)

## Unsecured long-term consumer loans:

March 31, 2016

Performing loans	\$6,537	\$3,856	\$2,485	\$5,651	\$18,529	\$72,642	\$ 106	\$91,277	\$4,507	\$ 5,651
	875	835	868	59,810	62,388	2,704	—	65,092	65,092	—

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Non-performing loans	\$7,412	\$4,691	\$3,353	\$65,461	\$80,917	\$75,346	\$ 106	\$ 156,369	\$ 69,599	\$ 5,651
March 31, 2015										
Performing loans	\$9,536	\$4,133	\$1,813	\$834	\$16,316	\$105,524	\$ 1,110	\$122,950	\$ 6,092	\$ 834
Non-performing loans	1,092	1,801	1,813	32,611	37,317	1,312	—	38,629	38,629	—
September 30, 2015	\$10,628	\$5,934	\$3,626	\$33,445	\$53,633	\$106,836	\$ 1,110	\$161,579	\$44,721	\$ 834
Performing loans	\$6,783	\$6,179	\$6,776	\$5,766	\$25,504	\$87,272	\$ —	\$112,776	\$ 5,128	\$ 5,766
Non-performing loans	553	701	613	41,670	43,537	1,980	—	45,517	45,517	—
	\$7,336	\$6,880	\$7,389	\$47,436	\$69,041	\$89,252	\$ —	\$158,293	\$50,645	\$ 5,766

30

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Table of Contents

## NOTE 14: FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820-10, our assets and liabilities discussed below are classified in one of the following three categories based on the inputs used to develop their fair values:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Other observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

## Recurring Fair Value Measurements

The tables below present our financial assets (liabilities) that were measured at fair value on a recurring basis as of March 31, 2016 and 2015 and September 30, 2015:

Financial assets (liabilities)	March 31, 2016	Fair Value Measurements Using	
		Level 1	Level 2      Level 3
		(in thousands)	
Foreign currency forwards	\$7,694	\$ —	\$ 7,694      \$ —
Cash Convertible Notes Hedges	3,219	—	3,219      —
Cash Convertible Notes Embedded Derivative	(3,219 )	—	(3,219 )      —
Contingent consideration	(2,575 )	—	—      (2,575 )
Net financial assets (liabilities)	\$5,119	\$ —	\$ 7,694      \$ (2,575 )

Financial assets (liabilities)	March 31, 2015	Fair Value Measurements Using	
		Level 1	Level 2      Level 3
		(in thousands)	
Foreign currency forwards	\$8,563	\$ —	\$ 8,563      \$ —
Holding Period Adjustment	132	—	132      —
Cash Convertible Notes Hedges	27,215	—	27,215      —
Cash Convertible Notes Embedded Derivative	(27,215 )	—	(27,215 )      —
Contingent consideration	(2,914 )	—	—      (2,914 )
Net financial assets (liabilities)	\$5,781	\$ —	\$ 8,695      \$ (2,914 )

Financial assets (liabilities)	September 30, 2015	Fair Value Measurements Using	
		Level 1	Level 2      Level 3
		(in thousands)	
Foreign currency forwards	\$14,169	\$ —	\$ 14,169      \$ —
Holding Period Adjustment	4	—	4      —
Cash Convertible Notes Hedges	10,505	—	10,505      —
Cash Convertible Notes Embedded Derivative	(10,505 )	—	(10,505 )      —
Phantom share-based awards	(3,932 )	—	—      (3,932 )
Contingent consideration	(2,601 )	—	—      (2,601 )
Net financial assets (liabilities)	\$7,640	\$ —	\$ 14,173      \$ (6,533 )

We measured the value of the forward currency forwards using Level 2 inputs such as estimations of expected cash flows, appropriately risk-adjusted discount rates and available observable inputs (term of the forward, notional amount, discount rates based on local and foreign rate curves, and a credit value adjustment to consider the likelihood of nonperformance). Forward contracts are recorded in the condensed consolidated balance sheets under “Other assets, net.”

We measured the fair value of the Holding Period Adjustment using an option pricing model based on observable Level 1 and Level 2 inputs such as conversion price of underlying shares, current share price, implied volatility, risk free interest rate and

31

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Table of Contents

other factors. The Holding Period Adjustment is recorded in the condensed consolidated balance sheets under "Other assets, net" and had no value as of March 31, 2016.

We measured the fair value of the Cash Convertible Notes Hedges and the Cash Convertible Notes Embedded Derivative using an option pricing model based on observable Level 1 and Level 2 inputs such as conversion price of underlying shares, current share price, implied volatility, risk free interest rate and other factors. The Cash Convertible Notes Hedges are recorded in the condensed consolidated balance sheets under "Other assets, net." The Cash Convertible Notes Embedded Derivative is recorded in the condensed consolidated balance sheets under "Long-term debt, less current maturities."

On April 26, 2013, Grupo Finmart purchased 100% of the outstanding shares of Fondo ACH, S.A. de C.V., a specialty consumer finance company. The total purchase price was performance-based and will be determined over a period of four years from the date of purchase. Total contingent consideration due on January 2, 2017 is based on interest income generated by the acquired portfolios and new loans made through Fondo ACH's contractual relationships. We used an income approach to measure the fair value of the contingent consideration using a probability-weighted discounted cash flow approach. Some of the significant inputs used for the valuation are not observable in the market and are thus Level 3 inputs. Contingent consideration is recorded in the condensed consolidated balance sheets under "Deferred gains and other long-term liabilities." Significant increases or decreases in the underlying assumptions used to value the contingent consideration could significantly increase or decrease the fair value estimates recorded in the condensed consolidated balance sheets. During the three and six-months ended March 31, 2016, we recorded no valuation adjustment to the \$2.6 million balance of the contingent consideration liability.

During fiscal 2015, we granted awards to employees based upon underlying shares that were not issued, and therefore we accounted for these as phantom share-based awards under FASB ASC 718-30. These awards are recorded in the condensed consolidated balance sheets under "Accounts payable and other accrued expenses" for unvested share-based payment awards. The fair value of fiscal 2015 phantom share-based awards that were estimated using the Monte Carlo simulation model incorporated the closing share price of our Class A Common Stock on the date of grant (considered, for this purpose, to be October 1, 2014), as well as the following assumptions, which we consider to be Level 3 inputs under the fair value hierarchy:

Expected volatility of EZCORP, Inc. Class A Common Stock	49.7 %
Risk-free interest rate	1.9 %
Expected term in years	6
Cost of equity	11.5 %
Dividend yield	—

During the six-months ended March 31, 2016, we settled and released \$0.1 million of phantom share-based awards and reclassified \$3.8 million of phantom share-based awards from liability awards to equity awards recorded in the condensed consolidated balance sheets under "Additional paid-in capital" reducing our balance in phantom share-based awards to zero as of March 31, 2016.

There were no transfers in or out of Level 1 or Level 2 for financial assets or liabilities measured at fair value on a recurring basis during the periods presented.

Table of Contents

## Financial Assets, Temporary Equity and Financial Liabilities Not Measured at Fair Value

Our financial assets, temporary equity and financial liabilities as of March 31, 2016 and 2015 and September 30, 2015 that are not measured at fair value in our condensed consolidated balance sheets are as follows:

	Carrying Value	Estimated Fair Value March 31, 2016	Fair Value Measurement Using		
			Level 1	Level 2	Level 3
(in thousands)					
Financial assets:					
Cash and cash equivalents	\$75,336	\$75,336	\$75,336	\$—	\$—
Restricted cash	13,817	13,817	13,817	—	—
Pawn loans	140,195	140,195	—	—	140,195
Consumer loans, net	26,362	42,975	—	—	42,975
Pawn service charges receivable, net	27,626	27,626	—	—	27,626
Consumer loan fees and interest receivable, net	13,226	13,226	—	—	13,226
Investment in unconsolidated affiliate	56,677	59,307	59,307	—	—
Restricted cash, non-current	2,308	2,308	2,308	—	—
Non-current consumer loans, net	62,673	105,879	—	—	105,879
	\$418,220	\$480,669	\$150,768	\$—	\$329,901
Temporary equity:					
Redeemable noncontrolling interest	\$(1,229 )	\$2,894	\$—	\$—	\$2,894
Financial liabilities:					
Cash Convertible Notes	\$192,565	\$156,400	\$—	\$156,400	\$—
Foreign currency debt	17,475	*17,880	—	17,880	—
Consumer loans facility due 2019	33,613	38,312	—	38,312	—
Foreign currency unsecured notes	17,097	*19,793	—	19,793	—
Foreign currency secured notes	20,132	*20,678	—	20,678	—
Secured notes consolidated from VIEs	50,881	*47,592	—	47,592	—
	\$331,763	\$300,655	\$—	\$300,655	\$—



Table of Contents

	Carrying Value	Estimated Fair Value March 31, 2015	Fair Value Measurement Using		
			March 31, 2015	Level 1	Level 2
(in thousands)					
Financial assets:					
Cash and cash equivalents	\$ 138,173	\$ 138,173	\$ 138,173	\$—	\$—
Restricted cash	47,909	47,909	47,909	—	—
Pawn loans	127,929	127,929	—	—	127,929
Consumer loans, net	55,529	75,184	—	—	75,184
Pawn service charges receivable, net	24,909	24,909	—	—	24,909
Consumer loan fees and interest receivable, net	13,063	13,063	—	—	13,063
Investment in unconsolidated affiliate	94,510	105,150	105,150	—	—
Restricted cash, non-current	2,880	2,880	2,880	—	—
Non-current consumer loans, net	79,860	122,286	—	—	122,286
	\$584,762	\$657,483	\$294,112	\$—	\$363,371
Temporary equity:					
Common Stock, subject to possible redemption	\$ 11,696	\$ 11,049	\$—	\$—	\$ 11,049
Redeemable noncontrolling interest	16,827	43,048	—	—	43,048
	\$28,523	\$54,097	\$—	\$—	\$54,097
Financial liabilities:					
Cash Convertible Notes	\$ 182,276	\$ 195,233	\$—	\$ 195,233	\$—
Foreign currency debt	21,726	*24,213	—	24,213	—
Consumer loans facility due 2019	44,837	46,982	—	46,982	—
Foreign currency unsecured notes	18,163	*18,550	—	18,550	—
Foreign currency secured notes	22,080	*25,650	—	25,650	—
Secured notes consolidated from VIEs	100,134	*97,712	—	97,712	—
	\$389,216	\$408,340	\$—	\$408,340	\$—

Table of Contents

	Carrying Value	Estimated Fair Value	Fair Value Measurement		
			September 30, 2015	September 30, 2015	Using Level 1 Level 2 Level 3
(in thousands)					
Financial assets:					
Cash and cash equivalents	\$59,124	\$59,124	\$59,124	\$—	\$—
Restricted cash	15,137	15,137	15,137	—	—
Pawn loans	159,964	159,964	—	—	159,964
Consumer loans, net	36,533	48,440	—	—	48,440
Pawn service charges receivable, net	30,852	30,852	—	—	30,852
Consumer loan fees and interest receivable, net	19,802	19,802	—	—	19,802
Investment in unconsolidated affiliate	56,182	56,182	56,182	—	—
Restricted cash, non-current	2,883	2,883	2,883	—	—
Non-current consumer loans, net	75,824	104,194	—	—	104,194
	\$456,301	\$496,578	\$133,326	\$—	\$363,252
Temporary equity:					
Common stock, subject to possible redemption	\$11,696	\$11,438	\$—	\$—	\$11,438
Redeemable noncontrolling interest	3,235	5,467	—	—	5,467
	\$14,931	\$16,905	\$—	\$—	\$16,905
Financial liabilities:					
Cash Convertible Notes	\$187,471	\$169,050	\$—	\$169,050	\$—
Foreign currency debt	18,505	*19,851	—	19,851	—
Consumer loans facility due 2019	40,493	40,774	—	40,774	—
Foreign currency unsecured notes	20,987	*20,477	—	20,477	—
Foreign currency secured notes	20,286	*22,476	—	22,476	—
Secured notes consolidated from VIEs	73,264	*68,685	—	68,685	—
	\$361,006	\$341,313	\$—	\$341,313	\$—

\* Portions of these amounts are included in "Current maturities of long-term debt" and "Long-term debt, less current maturities" in our condensed consolidated balance sheets.

Based on the short-term nature of cash and cash equivalents, restricted cash, pawn loans, pawn service charges receivable and consumer loan fees and interest receivable, we estimate that their carrying value approximates fair value. Significant increases or decreases in the underlying assumptions used to value the pawn loans, pawn service charges receivable and consumer loan fees and interest receivable could significantly increase or decrease the fair value estimates disclosed above.

Consumer loans, other than those made by Grupo Finmart, have relatively short maturity periods that are generally 12 months; therefore, we estimate that their carrying value approximates fair value. Consumer loans made by Grupo Finmart have an average contractual term of approximately 30 months. We estimated the fair value of the Grupo Finmart consumer loans by applying an income approach (the present value of future cash flows). Key assumptions include an annualized probability of default as well as a discount rate based on the funding rate plus the portfolio liquidity risk. Significant increases or decreases in the underlying assumptions used to value the consumer loans could significantly increase or decrease the fair value estimates disclosed above.

The inputs used to generate the fair value of our investment in unconsolidated affiliate Cash Converters International were considered Level 1 inputs. These inputs are comprised of (a) the quoted stock price on the Australian Stock Exchange multiplied by (b) the number of shares we owned multiplied by (c) the applicable foreign currency

exchange rate as of the end of our reporting period. We included no control premium for owning a large percentage of outstanding shares.

The fair value of the redeemable noncontrolling interest was estimated by applying an income approach. This fair value measurement is based on significant Level 3 inputs that are not observable in the market. Key assumptions include discount

35

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