

CASH AMERICA INTERNATIONAL INC  
Form 10-Q  
October 26, 2011  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2011  
OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 1-9733

(Exact name of registrant as specified in its charter)

**Texas**  
(State or other jurisdiction of  
Incorporation or organization)

**75-2018239**  
(I.R.S. Employer  
Identification No.)

**1600 West 7<sup>th</sup> Street**  
**Fort Worth, Texas**

**76102**  
(Zip Code)

(Address of principal executive offices)

**(817) 335-1100**

(Registrant's telephone number, including area code)

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NONE

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

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

Yes  No

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

Yes  No

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

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

(Do not check if a smaller reporting company)

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

Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS:

29,284,933 of the Registrants common shares, \$.10 par value, were issued and outstanding as of October 13, 2011.

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**CASH AMERICA INTERNATIONAL, INC.**

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**CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS**

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

changes in pawn, consumer credit, tax and other laws and government rules and regulations applicable to the Company s business,

changes in demand for the Company s services,

acceptance by consumers, legislators and regulators of the negative characterization by the media and consumer activists with respect to certain of the Company s loan products,

the continued acceptance of the online channel by the Company s online loan customers,

the actions of third parties who provide, acquire or offer products and services to, from or for the Company,

fluctuations in the price of gold,

changes in competition,

the ability of the Company to open new locations in accordance with its plans,

changes in economic conditions,

real estate market fluctuations,

interest rate fluctuations,

changes in foreign currency exchange rates,

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changes in the capital markets, including the debt and equity markets,

changes in the Company's ability to satisfy its debt obligations or to refinance existing debt obligations or obtain new capital to finance growth,

the ability to successfully integrate newly acquired businesses into the Company's operations,

the loss of services of any of the Company's executive officers,

a prolonged interruption in the Company's operations of its facilities, systems and business functions, including its information technology and other business systems,

the effect of any current or future litigation proceedings on the Company,

the implementation of new, or changes in the interpretation of existing, accounting principles or financial reporting requirements,

acts of God, war or terrorism, pandemics and other events,

the effect of any of such changes on the Company's business or the markets in which the Company operates,

risks related to the Company's previously-announced proposed initial public offering of common stock of Enova International, Inc., and

other risks and uncertainties described in this report or from time to time in the Company's filings with the Securities and Exchange Commission (the "SEC").

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

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS***(in thousands, except per share data)*

(Unaudited)

|   | September 30, |              | December 31, |
|---|---------------|--------------|--------------|
|   | 2011          | 2010         | 2010         |
| <b>Assets</b>   |               |              |              |
| Current assets:   |               |              |              |
| Cash and cash equivalents   | \$ 54,364     | \$ 52,427    | \$ 38,324    |
| Pawn loans  | 244,441       | 196,278      | 218,408      |
| Consumer loans, net   | 191,642       | 129,480      | 139,377      |
| Merchandise held for disposition, net   | 156,806       | 120,244      | 124,399      |
| Pawn loan fees and service charges receivable   | 45,066        | 37,593       | 41,216       |
| Prepaid expenses and other assets   | 41,654        | 48,066       | 32,490       |
| Deferred tax assets   | 29,070        | 28,872       | 28,016       |
| Total current assets  | 763,043       | 612,960      | 622,230      |
| Property and equipment, net   | 236,325       | 203,409      | 222,320      |
| Goodwill  | 538,169       | 515,345      | 543,324      |
| Intangible assets, net  | 26,668        | 24,939       | 31,188       |
| Other assets  | 13,948        | 6,897        | 8,124        |
| Total assets  | \$ 1,578,153  | \$ 1,363,550 | \$ 1,427,186 |
| <b>Liabilities and Equity</b>   |               |              |              |
| Current liabilities:  |               |              |              |
| Accounts payable and accrued expenses   | \$ 95,574     | \$ 94,543    | \$ 96,465    |
| Customer deposits   | 10,588        | 9,619        | 9,146        |
| Income taxes currently payable  | 10,520        | 8,746        | 888          |
| Current portion of long-term debt   | 21,856        | 25,493       | 24,433       |
| Total current liabilities   | 138,538       | 138,401      | 130,932      |
| Deferred tax liabilities  | 88,980        | 50,156       | 56,792       |
| Noncurrent income tax payable   | 2,343         | 2,275        | 2,408        |
| Other liabilities   | 1,522         | 9,005        | 2,052        |
| Long-term debt  | 470,124       | 405,233      | 432,271      |
| Total liabilities   | \$ 701,507    | \$ 605,070   | \$ 624,455   |
| Equity:   |               |              |              |
| Cash America International, Inc. equity:  |               |              |              |
| Common stock, \$0.10 par value per share, 80,000,000 shares authorized, 30,235,164 shares issued  | 3,024         | 3,024        | 3,024        |
| Additional paid-in capital  | 167,193       | 165,473      | 165,658      |
| Retained earnings   | 739,256       | 610,545      | 644,208      |
| Accumulated other comprehensive (loss) income   | (2,352)       | 6,433        | 4,797        |
| Treasury shares, at cost (982,735 shares, 1,060,326 shares and 685,315 shares at September 30, 2011 and 2010, and at December 31, 2010, respectively) | (35,752)      | (33,097)     | (21,283)     |
| Total Cash America International, Inc. shareholders' equity   | 871,369       | 752,378      | 796,404      |
| Noncontrolling interest   | 5,277         | 6,102        | 6,327        |
| Total equity  | 876,646       | 758,480      | 802,731      |

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|                              |              |              |              |
|------------------------------|--------------|--------------|--------------|
| Total liabilities and equity | \$ 1,578,153 | \$ 1,363,550 | \$ 1,427,186 |
|------------------------------|--------------|--------------|--------------|

*See notes to consolidated financial statements.*

**Table of Contents****CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME***(in thousands, except per share data)*

(Unaudited)

|  | Three Months Ended<br>September 30, |                  | Nine Months Ended<br>September 30, |                  |
|--|-------------------------------------|------------------|------------------------------------|------------------|
|  | 2011                                | 2010             | 2011                               | 2010             |
| <b>Revenue</b>   |                                     |                  |                                    |                  |
| Pawn loan fees and service charges   | \$ 77,053                           | \$ 63,968        | \$ 212,290                         | \$ 181,756       |
| Proceeds from disposition of merchandise   | 144,821                             | 116,998          | 435,775                            | 372,731          |
| Consumer loan fees   | 162,981                             | 134,869          | 418,522                            | 359,176          |
| Other  | 3,038                               | 3,525            | 10,763                             | 10,840           |
| <b>Total Revenue</b>   | <b>387,893</b>                      | <b>319,360</b>   | <b>1,077,350</b>                   | <b>924,503</b>   |
| <b>Cost of Revenue</b>   |                                     |                  |                                    |                  |
| Disposed merchandise   | 91,863                              | 73,796           | 270,715                            | 234,158          |
| Consumer loan loss provision   | 60,576                              | 51,136           | 145,205                            | 129,963          |
| <b>Total Cost of Revenue</b>   | <b>152,439</b>                      | <b>124,932</b>   | <b>415,920</b>                     | <b>364,121</b>   |
| <b>Net Revenue</b>   | <b>235,454</b>                      | <b>194,428</b>   | <b>661,430</b>                     | <b>560,382</b>   |
| <b>Expenses</b>  |                                     |                  |                                    |                  |
| Operations   | 124,522                             | 105,809          | 352,999                            | 304,259          |
| Administration   | 32,917                              | 27,838           | 92,614                             | 78,832           |
| Depreciation and amortization  | 14,850                              | 10,422           | 39,600                             | 31,355           |
| <b>Total Expenses</b>  | <b>172,289</b>                      | <b>144,069</b>   | <b>485,213</b>                     | <b>414,446</b>   |
| <b>Income from Operations</b>  | <b>63,165</b>                       | <b>50,359</b>    | <b>176,217</b>                     | <b>145,936</b>   |
| Interest expense   | (6,865)                             | (5,647)          | (18,307)                           | (16,510)         |
| Interest income  | 14                                  | 161              | 56                                 | 320              |
| Foreign currency transaction (loss) gain   | (777)                               | 74               | (1,058)                            | (100)            |
| Equity in loss of unconsolidated subsidiary                                      | (34)                                | (61)             | (70)                               | (61)             |
| <b>Income before Income Taxes</b>  | <b>55,503</b>                       | <b>44,886</b>    | <b>156,838</b>                     | <b>129,585</b>   |
| Provision for income taxes   | 20,974                              | 17,408           | 59,277                             | 49,145           |
| <b>Net Income</b>  | <b>34,529</b>                       | <b>27,478</b>    | <b>97,561</b>                      | <b>80,440</b>    |
| Net loss attributable to the noncontrolling interest                             | 248                                 | 430              | 575                                | 390              |
| <b>Net Income Attributable to Cash America International, Inc.</b>               | <b>\$ 34,777</b>                    | <b>\$ 27,908</b> | <b>\$ 98,136</b>                   | <b>\$ 80,830</b> |
| <b>Earnings Per Share:</b>   |                                     |                  |                                    |                  |
| Net Income attributable to Cash America International, Inc. common shareholders: |                                     |                  |                                    |                  |
| Basic  | \$ 1.18                             | \$ 0.95          | \$ 3.31                            | \$ 2.73          |
| Diluted  | \$ 1.08                             | \$ 0.90          | \$ 3.07                            | \$ 2.56          |
| Weighted average common shares outstanding:                                      |                                     |                  |                                    |                  |
| Basic  | 29,535                              | 29,462           | 29,626                             | 29,601           |
| Diluted  | 32,248                              | 31,038           | 31,969                             | 31,598           |
| Dividends declared per common share  | \$ 0.035                            | \$ 0.035         | \$ 0.105                           | \$ 0.105         |

*See notes to consolidated financial statements.*



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## CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF EQUITY

*(in thousands, except per share data)*

(Unaudited)

|   | Common Stock      |                 | Additional<br>paid-in<br>capital | Retained<br>earnings | Accumulated<br>other<br>comprehensive<br>income<br>(loss) | Treasury shares, at cost |                    | Total<br>share-<br>holders<br>equity | Non-controlling<br>interest | Total<br>Equity   |
|---|-------------------|-----------------|----------------------------------|----------------------|---|--------------------------|--------------------|--------------------------------------|-----------------------------|-------------------|
|   | Shares            | Amount          |                                  |                      |   | Shares                   | Amount             |                                      |                             |                   |
| <b>Balance at January 1, 2010</b>                           | <b>30,235,164</b> | <b>\$ 3,024</b> | <b>\$ 166,761</b>                | <b>\$ 532,805</b>    | <b>\$ 1,181</b>   | <b>(933,082)</b>         | <b>\$ (26,836)</b> | <b>\$ 676,935</b>                    | <b>\$ 6,264</b>             | <b>\$ 683,199</b> |
| Shares issued under stock-based plans                       |                   |                 | (6,279)                          |                      |   | 282,321                  | 8,242              | 1,963                                |                             | 1,963             |
| Stock-based compensation expense                            |                   |                 | 2,856                            |                      |   |                          |                    | 2,856                                |                             | 2,856             |
| Income tax benefit from stock-based compensation            |                   |                 | 2,135                            |                      |   |                          |                    | 2,135                                |                             | 2,135             |
| Net income attributable to Cash America International, Inc. |                   |                 |                                  | 80,830               |   |                          |                    | 80,830                               |                             | 80,830            |
| Dividends paid  |                   |                 |                                  | (3,090)              |   |                          |                    | (3,090)                              |                             | (3,090)           |
| Unrealized derivatives loss, net of tax                     |                   |                 |                                  |                      | (114)   |                          |                    | (114)                                |                             | (114)             |
| Foreign currency translation gain, net of tax               |                   |                 |                                  |                      | 3,529   |                          |                    | 3,529                                | 228                         | 3,757             |
| Marketable securities unrealized gain, net of tax           |                   |                 |                                  |                      | 1,837   |                          |                    | 1,837                                |                             | 1,837             |
| Purchases of treasury shares                                |                   |                 |                                  |                      |   | (409,565)                | (14,503)           | (14,503)                             |                             | (14,503)          |
| Loss attributable to the noncontrolling interest            |                   |                 |                                  |                      |   |                          |                    | -                                    | (390)                       | (390)             |
| <b>Balance at September 30, 2010</b>                        | <b>30,235,164</b> | <b>\$ 3,024</b> | <b>\$ 165,473</b>                | <b>\$ 610,545</b>    | <b>\$ 6,433</b>   | <b>(1,060,326)</b>       | <b>\$ (33,097)</b> | <b>\$ 752,378</b>                    | <b>\$ 6,102</b>             | <b>\$ 758,480</b> |
| <b>Balance at January 1, 2011</b>                           | <b>30,235,164</b> | <b>\$ 3,024</b> | <b>\$ 165,658</b>                | <b>\$ 644,208</b>    | <b>\$ 4,797</b>   | <b>(685,315)</b>         | <b>\$ (21,283)</b> | <b>\$ 796,404</b>                    | <b>\$ 6,327</b>             | <b>\$ 802,731</b> |
| Shares issued under stock-based plans                       |                   |                 | (2,904)                          |                      |   | 94,982                   | 3,009              | 105                                  |                             | 105               |
| Stock-based compensation expense                            |                   |                 | 3,936                            |                      |   |                          |                    | 3,936                                |                             | 3,936             |
| Income tax benefit from stock-based compensation            |                   |                 | 503                              |                      |   |                          |                    | 503                                  |                             | 503               |
| Net income attributable to Cash America International, Inc. |                   |                 |                                  | 98,136               |   |                          |                    | 98,136                               |                             | 98,136            |
| Dividends paid  |                   |                 |                                  | (3,088)              |   |                          |                    | (3,088)                              |                             | (3,088)           |
| Unrealized derivatives gain, net of tax                     |                   |                 |                                  |                      | 70  |                          |                    | 70                                   |                             | 70                |
| Foreign currency translation loss, net of tax               |                   |                 |                                  |                      | (8,098)   |                          |                    | (8,098)                              | (475)                       | (8,573)           |
| Marketable securities unrealized gain, net of tax           |                   |                 |                                  |                      | 879   |                          |                    | 879                                  |                             | 879               |
| Purchases of treasury shares                                |                   |                 |                                  |                      |   | (392,402)                | (17,478)           | (17,478)                             |                             | (17,478)          |
| Loss attributable to the noncontrolling interest            |                   |                 |                                  |                      |   |                          |                    | -                                    | (575)                       | (575)             |

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Balance at September 30,  
2011

30,235,164 \$ 3,024 \$ 167,193 \$ 739,256 \$ (2,352) (982,735) \$ (35,752) \$ 871,369 \$ 5,277 \$ 876,646  
*See notes to consolidated financial statements.*

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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(in thousands)

(Unaudited)

|   | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|---|-------------------------------------|-----------|------------------------------------|-----------|
|   | 2011                                | 2010      | 2011                               | 2010      |
| <b>Net income</b>   | \$ 34,529                           | \$ 27,478 | \$ 97,561                          | \$ 80,440 |
| <b>Other comprehensive gain (loss), net of tax:</b>   |                                     |           |                                    |           |
| Unrealized derivatives gain (loss) <sup>(a)</sup>   | 31                                  | 4         | 70                                 | (114)     |
| Foreign currency translation (loss) gain <sup>(b)</sup>   | (14,352)                            | 4,464     | (8,573)                            | 3,757     |
| Marketable securities unrealized (loss) gain <sup>(c)</sup>                                       | (29)                                | 344       | 879                                | 1,837     |
| Total other comprehensive (loss) gain, net of tax   | (14,350)                            | 4,812     | (7,624)                            | 5,480     |
| <b>Comprehensive income</b>   | \$ 20,179                           | \$ 32,290 | \$ 89,937                          | \$ 85,920 |
| Net loss attributable to the noncontrolling interest  | 248                                 | 430       | 575                                | 390       |
| Foreign currency translation loss (gain), net of tax, attributable to the noncontrolling interest | 803                                 | (164)     | 475                                | (228)     |
| Comprehensive loss attributable to the noncontrolling interest                                    | 1,051                               | 266       | 1,050                              | 162       |
| <b>Comprehensive Income attributable to Cash America International, Inc.</b>                      | \$ 21,230                           | \$ 32,556 | \$ 90,987                          | \$ 86,082 |

<sup>(a)</sup> Net of tax benefit (provision) of \$(16) and \$(2) for the three months ended September 30, 2011 and 2010 respectively, and \$(37) and \$61 for the nine months ended September 30, 2011 and 2010.

<sup>(b)</sup> Net of tax benefit (provision) of \$167 and \$(607) for the three months ended September 30, 2011 and 2010 respectively, and \$17 and \$(51) for the nine months ended September 30, 2011 and 2010.

<sup>(c)</sup> Net of tax benefit (provision) of \$16 and \$(186) for the three months ended September 30, 2011 and 2010 respectively, and \$(473) and \$(990) for the nine months ended September 30, 2011 and 2010.

*See notes to consolidated financial statements.*

**Table of Contents****CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS***(in thousands)*

(Unaudited)

|   | Nine Months Ended<br>September 30, |                  |
|---|------------------------------------|------------------|
|   | 2011                               | 2010             |
| <b>Cash Flows from Operating Activities</b>                                       |                                    |                  |
| Net Income  | \$ 97,561                          | \$ 80,440        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                    |                  |
| Depreciation and amortization   | 39,600                             | 31,355           |
| Amortization of discount on convertible debt                                      | 2,652                              | 2,485            |
| Consumer loan loss provision  | 145,205                            | 129,963          |
| Stock-based compensation  | 3,936                              | 2,856            |
| Deferred income taxes, net  | 30,186                             | (651)            |
| Other   | 2,790                              | 257              |
| Changes in operating assets and liabilities                                       |                                    |                  |
| Merchandise held for disposition  | (14,514)                           | (33,726)         |
| Pawn loan fees and service charges receivable                                     | (4,156)                            | (873)            |
| Finance and service charges on consumer loans                                     | (4,797)                            | (3,392)          |
| Prepaid expenses and other assets   | (10,032)                           | (6,918)          |
| Accounts payable and accrued expenses   | (1,923)                            | 10,657           |
| Excess income tax benefit from stock-based compensation                           | (503)                              | (2,135)          |
| Current income taxes  | 9,642                              | 2,272            |
| Other operating assets and liabilities  | 1,609                              | 960              |
| <b>Net cash provided by operating activities</b>                                  | <b>297,256</b>                     | <b>213,550</b>   |
| <b>Cash Flows from Investing Activities</b>                                       |                                    |                  |
| Pawn loans made   | (582,938)                          | (468,609)        |
| Pawn loans repaid   | 350,683                            | 289,487          |
| Principal recovered through dispositions of forfeited pawn loans                  | 186,657                            | 199,999          |
| Consumer loans made or purchased  | (1,149,153)                        | (1,204,255)      |
| Consumer loans repaid   | 957,696                            | 1,056,838        |
| Acquisitions, net of cash acquired  | -                                  | (23,012)         |
| Purchases of property and equipment   | (51,795)                           | (37,466)         |
| Investments in equity securities  | (5,000)                            | (5,652)          |
| Other investing activities  | (450)                              | (120)            |
| <b>Net cash used in investing activities</b>                                      | <b>(294,300)</b>                   | <b>(192,790)</b> |
| <b>Cash Flows from Financing Activities</b>                                       |                                    |                  |
| Net repayments under bank lines of credit   | 8,975                              | (16,304)         |
| Issuance of long-term debt  | 50,000                             | 25,000           |
| Net proceeds from re-issuance of treasury shares                                  | 105                                | 1,963            |
| Loan costs paid   | (2,584)                            | (290)            |
| Payments on notes payable and other obligations                                   | (25,840)                           | (9,121)          |
| Excess income tax benefit from stock-based compensation                           | 503                                | 2,135            |
| Treasury shares purchased   | (17,478)                           | (14,503)         |
| Dividends paid  | (3,088)                            | (3,090)          |
| <b>Net cash provided by (used in) financing activities</b>                        | <b>10,593</b>                      | <b>(14,210)</b>  |
| Effect of exchange rates on cash  | 2,491                              | (127)            |
| <b>Net increase in cash and cash equivalents</b>                                  | <b>16,040</b>                      | <b>6,423</b>     |
| <b>Cash and cash equivalents at beginning of year</b>                             | <b>38,324</b>                      | <b>46,004</b>    |
| <b>Cash and cash equivalents at end of period</b>                                 | <b>\$ 54,364</b>                   | <b>\$ 52,427</b> |

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**Supplemental Disclosures**

**Non-cash investing and financing activities**

|  |            |            |
|--|------------|------------|
| Pawn loans forfeited and transferred to merchandise held for disposition | \$ 207,887 | \$ 172,422 |
| Pawn loans renewed   | \$ 138,805 | \$ 89,391  |
| Consumer loans renewed   | \$ 405,010 | \$ 298,734 |

*See notes to consolidated financial statements.*

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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**1. Significant Accounting Policies**

**Basis of Presentation**

The consolidated financial statements include all of the accounts of Cash America International, Inc. and its majority-owned subsidiaries (the Company). All significant intercompany accounts and transactions have been eliminated in consolidation.

The financial statements as of September 30, 2011 and 2010 and for the three- and nine-month periods then ended are unaudited but, in management's opinion, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for such interim periods. The year-end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by Generally Accepted Accounting Principles in the United States of America (GAAP). Operating results for the three- and nine-month periods are not necessarily indicative of the results that may be expected for the full fiscal year.

The presentation of the consolidated statements of income has been modified to include the consumer loan loss provision as a component of total cost of revenue, rather than as a component of total expenses. The information presented in the consolidated statements of income for the three and nine-month periods ended September 30, 2010 has been updated to conform to this presentation. These changes have no impact on consolidated results previously reported.

The Company has a contractual relationship with a third party entity, Huminal, S.A. de C.V., a Mexican *sociedad anónima de capital variable* (Huminal), to compensate and maintain the labor force of its Mexico pawn operations, of which the Company is a majority owner due to the December 16, 2008 acquisition by the Company of 80% of the outstanding stock of Creazione Estilo, S.A. de C.V., a Mexican *sociedad anónima de capital variable* (Creazione), operating under the name Prenda Fácil (referred to as Prenda Fácil). The Company has no ownership interest in Huminal; however, Prenda Fácil qualifies as the primary beneficiary of Huminal in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, *Consolidation*. Therefore, the results and balances of Huminal are consolidated and allocated to net income attributable to noncontrolling interests.

These financial statements and related notes should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

On September 15, 2011, Enova International, Inc. (Enova), a wholly-owned subsidiary of the Company, that comprises the Company's e-commerce segment, filed a registration statement on Form S-1 with the Securities and Exchange Commission in connection with a proposed initial public offering of its common stock. See Note 11 for further discussion of this transaction.

**Foreign Currency Translations**

The functional currencies for the Company's subsidiaries that serve residents of the United Kingdom, Australia, Canada and Mexico are the British pound, the Australian dollar, the Canadian dollar and the Mexican peso, respectively. The assets and liabilities of these subsidiaries are translated into U.S. dollars at the exchange rates in effect at each balance sheet date, and the resulting adjustments are recorded in Accumulated other comprehensive income (loss) as a separate component of equity. Revenue and expenses are translated at the monthly average exchange rates occurring during each period. As of September 30, 2011, the Company designated the intercompany balance related to its Mexico operations as long-term; therefore, future gains and losses related to the translation of

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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)**

this balance will be recognized in Accumulated other comprehensive income (loss) in the accompanying consolidated statements of equity.

**Hedging and Derivatives Activity**

The Company does periodically use derivative financial instruments, such as interest rate cap agreements and foreign currency forward contracts. The Company uses interest rate cap agreements for the purpose of managing interest rate exposures that exist from ongoing business operations. The Company's interest rate cap agreements have been determined to be perfectly effective cash flow hedges, pursuant to ASC 815-20-25, *Derivatives and Hedging - Recognition* (ASC 815-20-25), at inception and on an ongoing basis. The fair value of these interest rate cap agreements is recognized in Other assets in the accompanying consolidated balance sheets and changes in fair value are recognized in Accumulated other comprehensive income (loss) in the accompanying consolidated statements of equity. The Company uses foreign currency forward contracts to minimize the effects of foreign currency risk in the United Kingdom, Australia and Mexico. See Note 10. The Company may periodically enter into forward sale contracts with a major gold bullion bank to sell refined gold that is acquired in the normal course of business from the Company's liquidation of forfeited gold merchandise. These contracts are not accounted for as derivatives because they meet the criteria for the normal purchases and normal sales scope exception in ASC 815-20-25.

**Recently Issued Accounting Pronouncements**

In September 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-08, *Testing Goodwill for Impairment* (ASU 2011-08). This update is intended to simplify goodwill impairment testing by adding an optional qualitative review step to assess whether the required quantitative impairment analysis that exists under current GAAP is necessary. Under the amended rule, a company will not be required to calculate the fair value of a reporting unit that contains recorded goodwill unless it concludes, based on the qualitative assessment, that it is more likely than not (a likelihood of more than 50 percent) that the fair value of that reporting unit is less than its book value. If such a decline in fair value is deemed more likely than not to have occurred, then the quantitative goodwill impairment test that exists under current GAAP must be completed. If not, goodwill is deemed not impaired and no further testing is required until the next annual test date, unless conditions or events before that date raise concerns of potential impairment. The amended goodwill impairment guidance does not affect the manner in which a company estimates fair value. ASU 2011-08 is effective for the Company for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company does not anticipate that the adoption of ASU 2011-08 will have a material effect on its financial position or results of operations.

In June 2011, the FASB issued ASU No. 2011-05, *Presentation of Comprehensive Income* (ASU 2011-05), which will enhance comparability between entities that report under GAAP and those that report under International Financial Reporting Standards (IFRS). ASU 2011-05 requires companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of equity. ASU 2011-05 is effective for the Company's interim and annual periods beginning after December 15, 2011 and must be applied retrospectively. Early adoption is permitted. The Company does not anticipate that the adoption of ASU 2011-05 will have a material effect on its financial position or results of operations.

In May 2011, the FASB issued ASU No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards* (ASU 2011-04), which amends ASC 820, *Fair Value Measurement* (ASC 820). ASU 2011-04 provides a consistent definition and measurement of fair value, as well as similar disclosure requirements between U.S. GAAP and IFRS. ASU 2011-04 changes certain fair value measurement principles, clarifies the application of existing fair value measurement and expands the ASC 820 disclosure requirements, particularly for Level 3 fair value measurements. ASU 2011-04 is effective for the Company prospectively for interim and annual periods beginning after December

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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)**

15, 2011. The Company does not anticipate that the adoption of ASU 2011-04 will have a material effect on its financial position or results of operations.

**Recently Adopted Accounting Pronouncements**

In December 2010, the FASB issued ASU No. 2010-29, *Disclosure of Supplementary Pro Forma Information for Business Combinations* ( ASU 2010-29 ). This standard update clarifies that, when presenting comparative financial statements, the Company should disclose revenue and earnings of the combined entity as though the current period business combinations had occurred as of the beginning of the comparable prior annual reporting period only. The update also expands the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. ASU 2010-29 is effective prospectively for material (either on an individual or aggregate basis) business combinations entered into in fiscal years beginning on or after December 15, 2010 with early adoption permitted. The adoption of ASU 2010-29 did not have a material effect on the Company's financial position or results of operations.

**2. Acquisitions**

**Prenda Fácil**

Pursuant to its business strategy of expanding storefront operations for the pawn business in Latin America, the Company, through its wholly-owned subsidiary, Cash America of Mexico, Inc., completed the acquisition of 80% of the outstanding stock of Creazione, which operates retail services locations under the name Prenda Fácil, in December 2008. In conjunction with the acquisition, the Company agreed to pay a supplemental earn-out payment in an amount based on a five times multiple of the consolidated earnings of Prenda Fácil's business as specifically defined in the Stock Purchase Agreement (generally Prenda Fácil's earnings before interest, income taxes, depreciation and amortization expenses denominated in its local currency) for the twelve-month period ending June 30, 2011, reduced by amounts previously paid. Based on earnings for the twelve-month period ending June 30, 2011, no supplemental payment was due. As a result, the final purchase price for the Company's interest in Creazione was \$90.8 million, of which \$82.9 million was paid in cash, with the remainder paid in the form of 391,236 shares of the Company's common stock with a fair value of \$7.9 million as of the closing date.

**Maxit**

Pursuant to its business strategy of expanding storefront operations in the United States, the Company's wholly-owned subsidiary, Cash America, Inc. of Nevada, completed the purchase of substantially all of the assets of Maxit Financial, LLC ( Maxit ) on October 4, 2010. Maxit owned and operated a 39-store chain of pawn lending locations that operate in Washington and Arizona under the names Maxit and Pawn X-Change. Per the terms of the Asset Purchase Agreement, the acquisition consideration consisted of a cash payment of approximately \$58.2 million, which was funded with borrowings under the Company's line of credit, and 366,097 shares of the Company's common stock, with a fair value of \$10.9 million as of the closing date. In addition, the Company incurred acquisition costs of \$1.5 million related to the acquisition, which were reflected in Operations expenses in the consolidated statements of income during the fourth quarter of 2010. The goodwill of \$26.2 million arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the Company and Maxit. As further described in Note 7, the activities and goodwill of Maxit are included in the results of the Company's retail services segment.



**Table of Contents****CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)****3. Credit Quality Information on Pawn Loans**

The Company manages the pawn loan portfolio by monitoring the type and adequacy of collateral compared to historical gross profit margins. If a pawn loan defaults, the Company must rely on the disposition of pawned property to recover the principal amount of an unpaid pawn loan, plus a yield on the investment, because pawn loans are non-recourse against the customer. As a result, the customer's creditworthiness is not a significant factor in the loan decision, and a decision to redeem pawned property does not affect the customer's personal credit status. In addition, the customer's creditworthiness does not affect the Company's financial position or results of operations, because generally, forfeited merchandise has historically sold for an amount in excess of the cost of goods sold (which is the lower of the cash amount loaned or market value). Goods pledged to secure pawn loans are tangible personal property items such as jewelry, tools, televisions and other electronics, musical instruments, and other miscellaneous items. A pawn loan is considered nonperforming if the customer does not make a payment in accordance with the contractual requirements. Any accrued pawn loan fees and service charges are reversed on nonperforming loans. As of September 30, 2011 and 2010, and December 31, 2010, the Company had performing pawn loans outstanding of \$238.4 million, \$191.1 million, and \$213.5 million, respectively, and nonperforming pawn loans outstanding of \$6.0 million, \$5.2 million, and \$4.9 million, respectively.

**4. Consumer Loans, Credit Quality Information and Allowances and Liabilities for Losses on Consumer Loans**

Each consumer loan provides customers with cash, typically in exchange for a fee and an agreement to repay the amount advanced. These transactions result in a receivable or a loan, owed to the Company or a third party lender. These consumer loans take various forms, including short-term single payment loans (which are commonly referred to as payday loans), participation interests in receivables acquired from a third-party lender through the micro line of credit ( MLOC ) services business and multi-payment installment loans, and generate revenue for the Company. Consumer loan fee revenue generated from the Company's consumer loans for the three and nine months ended September 30, 2011 and 2010 was as follows (in thousands):

|  | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |            |
|--|-------------------------------------|------------|------------------------------------|------------|
|  | 2011                                | 2010       | 2011                               | 2010       |
| Interest and fees on short-term loans    | \$ 146,825                          | \$ 121,662 | \$ 383,656                         | \$ 326,993 |
| Interest and fees on installment loans   | 16,156                              | 3,086      | 34,866                             | 6,615      |
| Interest and fees on MLOC <sup>(a)</sup> | -                                   | 10,121     | -                                  | 25,568     |
| Total consumer loan fees                 | \$ 162,981                          | \$ 134,869 | \$ 418,522                         | \$ 359,176 |

<sup>(a)</sup> The Company's MLOC program ended in October 2010 because the third-party lender discontinued offering MLOC advances.

In order to manage consumer loans effectively, the Company monitors the performance and maintains either an allowance or liability for losses on consumer loans (including fees and interest) at a level estimated to be adequate to absorb credit losses. The balances outstanding include all consumer loans, including short-term loans, participation interests in receivables acquired through the MLOC services business and multi-payment installment loans. The allowance for losses on Company-owned consumer loans offsets the outstanding loan amounts in the consolidated balance sheets. In addition, the Company maintains a liability for losses related to loans guaranteed under the Company's Credit Services Organization program. The liability for losses is included in Accounts payable and



**Table of Contents****CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)**

accrued expenses in the Company's consolidated balance sheets.

The Company classifies its consumer loan portfolio as either current, which represents active loans, and nonperforming, which represents loans that are 1-59 days delinquent. Short-term consumer loans are considered nonperforming on the date of the first missed payment, with no grace period. An installment loan is considered nonperforming if the customer does not make two consecutive payments, with no grace period. Once a loan is considered nonperforming, this status is not changed if the terms of the contract are modified or extended. Generally, consumer loan fees and interest do not accrue on nonperforming loans and once a consumer loan is considered non-performing, the Company does not resume accrual of interest on these loans. For nonperforming loans, all payments received are first applied against accrued but unpaid interest and fees and then against the principal balance of the loan. After the principal balance is recovered, the Company recognizes additional payments as consumer loan fee revenue.

In determining the allowance or liability for consumer loans, the Company applies a documented systematic methodology as follows. Outstanding loans are analyzed and divided into discrete groups, including active, which are not delinquent, and delinquent or past due by age and stage of collection. Actual loss experience based on historical loss rates for each discrete group are calculated and adjusted for recent default trends. The required allowance is calculated by applying the resulting adjusted loss rates to each discrete loan group and aggregating the results. Increases in either the allowance or the liability, net of charge-offs and recoveries, are recorded as Consumer loan loss provision in the consolidated statements of income. The Company generally charges off all consumer loans once they have been in default for 60 consecutive days or sooner if deemed uncollectible. Recoveries on loans previously charged to the allowance are credited to the allowance when collected.

The allowance deducted from the carrying value of consumer loans was \$47.3 million, \$45.6 million, and \$38.9 million at September 30, 2011 and 2010, and December 31, 2010, respectively. The Company guarantees borrowers' payment obligations to unrelated third-party lenders and is required to purchase the loan should a borrower not make payments as required by the contract. The guarantee is a repurchase obligation of specific loans, which generally have terms of less than 90 days. As of September 30, 2011 and 2010, and December 31, 2010, \$51.2 million, \$48.4 million, and \$48.8 million, respectively, of active consumer loans owned by third-party lenders were guaranteed by the Company. The liability for losses on consumer loan guaranty obligations was \$2.5 million, \$2.8 million and \$2.8 million at September 30, 2011 and 2010, and December 31, 2010, respectively.

The components of the Company-owned consumer loan portfolio at September 30, 2011 and 2010, and December 31, 2010 were as follows (in thousands):

|                             | As of September 30, 2011 |                      |      |            |
|-----------------------------|--------------------------|----------------------|------|------------|
|                             | Short-term<br>Loans      | Installment<br>Loans | MLOC | Total      |
| Current                     | \$ 137,439               | \$ 44,534            | \$ - | \$ 181,973 |
| Nonperforming loans         | 50,268                   | 6,736                | -    | 57,004     |
| Total consumer loans, gross | 187,707                  | 51,270               | -    | 238,977    |
| Less: Allowance for losses  | (38,969)                 | (8,366)              | -    | (47,335)   |
| Consumer loans, net         | \$ 148,738               | \$ 42,904            | \$ - | \$ 191,642 |

  

|                             | As of September 30, 2010 |                      |           |            |
|-----------------------------|--------------------------|----------------------|-----------|------------|
|                             | Short-term<br>Loans      | Installment<br>Loans | MLOC      | Total      |
| Current                     | \$ 95,795                | \$ 6,292             | \$ 17,374 | \$ 119,461 |
| Nonperforming loans         | 50,925                   | 858                  | 3,822     | 55,605     |
| Total consumer loans, gross | 146,720                  | 7,150                | 21,196    | 175,066    |
| Less: Allowance for losses  | (40,567)                 | (1,375)              | (3,644)   | (45,586)   |

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|                     |            |          |           |            |
|---------------------|------------|----------|-----------|------------|
| Consumer loans, net | \$ 106,153 | \$ 5,775 | \$ 17,552 | \$ 129,480 |
|---------------------|------------|----------|-----------|------------|

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**Table of Contents****CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)**

|                             | Short-term<br>Loans | As of December 31, 2010 |         |            |
|-----------------------------|---------------------|-------------------------|---------|------------|
|                             |                     | Installment<br>Loans    | MLOC    | Total      |
| Current                     | \$ 115,535          | \$ 16,309               | \$ -    | \$ 131,844 |
| Nonperforming loans         | 43,599              | 1,377                   | 1,510   | 46,486     |
| Total consumer loans, gross | 159,134             | 17,686                  | 1,510   | 178,330    |
| Less: Allowance for losses  | (34,455)            | (2,988)                 | (1,510) | (38,953)   |
| Consumer loans, net         | \$ 124,679          | \$ 14,698               | \$ -    | \$ 139,377 |

Changes in the allowance for losses for the Company-owned portfolio and the liability for losses for third-party lender-owned portfolios during the three and nine months ended September 30, 2011 and 2010 was as follows (in thousands):

|   | Three Months Ended September 30, 2011 |                      |      |           |
|---|---------------------------------------|----------------------|------|-----------|
|   | Short-term<br>Loans                   | Installment<br>Loans | MLOC | Total     |
| <b>Allowance for losses for Company-owned consumer loans:</b> |                                       |                      |      |           |
| Balance at beginning of period                                | \$ 31,196                             | \$ 6,015             | \$ - | \$ 37,211 |
| Consumer loan loss provision                                  | 50,330                                | 9,896                | -    | 60,226    |
| Charge-offs   | (50,254)                              | (7,944)              | -    | (58,198)  |
| Recoveries  | 7,697                                 | 399                  | -    | 8,096     |
| Balance at end of period                                      | \$ 38,969                             | \$ 8,366             | \$ - | \$ 47,335 |

**Liability for third-party lender-owned consumer loans:**

|                                |          |        |      |          |
|--------------------------------|----------|--------|------|----------|
| Balance at beginning of period | \$ 1,852 | \$ 285 | \$ - | \$ 2,137 |
| Increase in liability          | 262      | 88     | -    | 350      |
| Balance at end of period       | \$ 2,114 | \$ 373 | \$ - | \$ 2,487 |

|   | Three Months Ended September 30, 2010 |                      |          |           |
|---|---------------------------------------|----------------------|----------|-----------|
|   | Short-term<br>Loans                   | Installment<br>Loans | MLOC     | Total     |
| <b>Allowance for losses for Company-owned consumer loans:</b> |                                       |                      |          |           |
| Balance at beginning of period                                | \$ 32,179                             | \$ 1,016             | \$ 3,528 | \$ 36,723 |
| Consumer loan loss provision                                  | 46,342                                | 1,359                | 3,970    | 51,671    |
| Charge-offs   | (43,723)                              | (1,076)              | (4,136)  | (48,935)  |
| Recoveries  | 5,769                                 | 76                   | 282      | 6,127     |
| Balance at end of period                                      | \$ 40,567                             | \$ 1,375             | \$ 3,644 | \$ 45,586 |

**Liability for third-party lender-owned consumer loans:**

|                                |          |       |      |          |
|--------------------------------|----------|-------|------|----------|
| Balance at beginning of period | \$ 3,319 | \$ 6  | \$ - | \$ 3,325 |
| Decrease in liability          | (590)    | 55    | -    | (535)    |
| Balance at end of period       | \$ 2,729 | \$ 61 | \$ - | \$ 2,790 |



**Table of Contents****CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)****Nine Months Ended September 30, 2011**

|   | <b>Short-term<br/>Loans</b> | <b>Installment<br/>Loans</b> | <b>MLOC</b> | <b>Total</b> |
|---|-----------------------------|------------------------------|-------------|--------------|
| <b>Allowance for losses for Company-owned consumer loans:</b> |                             |                              |             |              |
| Balance at beginning of period                                | \$ 34,455                   | \$ 2,988                     | \$ 1,510    | \$ 38,953    |
| Consumer loan loss provision                                  | 124,490                     | 21,757                       | (691)       | 145,556      |
| Charge-offs   | (142,055)                   | (17,200)                     | (1,571)     | (160,826)    |
| Recoveries  | 22,079                      | 821                          | 752         | 23,652       |
| Balance at end of period                                      | \$ 38,969                   | \$ 8,366                     | \$ -        | \$ 47,335    |
| <b>Liability for third-party lender-owned consumer loans:</b> |                             |                              |             |              |
| Balance at beginning of period                                | \$ 2,610                    | \$ 228                       | \$ -        | \$ 2,838     |
| Decrease in liability   | (496)                       | 145                          | -           | (351)        |
| Balance at end of period                                      | \$ 2,114                    | \$ 373                       | \$ -        | \$ 2,487     |

**Nine Months Ended September 30, 2010**

|   | <b>Short-term<br/>Loans</b> | <b>Installment<br/>Loans</b> | <b>MLOC</b> | <b>Total</b> |
|---|-----------------------------|------------------------------|-------------|--------------|
| <b>Allowance for losses for Company-owned consumer loans:</b> |                             |                              |             |              |
| Balance at beginning of period                                | \$ 25,194                   | \$ 520                       | \$ 1,636    | \$ 27,350    |
| Consumer loan loss provision                                  | 116,213                     | 3,260                        | 10,644      | 130,117      |
| Charge-offs   | (119,832)                   | (2,615)                      | (9,321)     | (131,768)    |
| Recoveries  | 18,992                      | 210                          | 685         | 19,887       |
| Balance at end of period                                      | \$ 40,567                   | \$ 1,375                     | \$ 3,644    | \$ 45,586    |
| <b>Liability for third-party lender-owned consumer loans:</b> |                             |                              |             |              |
| Balance at beginning of period                                | \$ 2,944                    | \$ -                         | \$ -        | \$ 2,944     |
| Decrease in liability   | (215)                       | 61                           | -           | (154)        |
| Balance at end of period                                      | \$ 2,729                    | \$ 61                        | \$ -        | \$ 2,790     |

**Table of Contents****CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)****5. Earnings Per Share Computation**

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by giving effect to the potential dilution that could occur if securities or other contracts to issue common shares were exercised and converted into common shares during the period.

The following table sets forth the reconciliation of numerators and denominators for the basic and diluted earnings per share computation for the three and nine months ended September 30, 2011 and 2010 (in thousands, except per share amounts):

|  | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|--|-------------------------------------|-----------|------------------------------------|-----------|
|  | 2011                                | 2010      | 2011                               | 2010      |
| Numerator:   |                                     |           |                                    |           |
| Net income attributable to Cash America International, Inc.  | \$ 34,777                           | \$ 27,908 | \$ 98,136                          | \$ 80,830 |
| Denominator:   |                                     |           |                                    |           |
| Total weighted average basic shares <sup>(a)</sup>           | 29,535                              | 29,462    | 29,626                             | 29,601    |
| Shares applicable to stock-based compensation <sup>(b)</sup> | 278                                 | 541       | 240                                | 551       |
| Convertible debt <sup>(c)</sup>                              | 2,435                               | 1,035     | 2,103                              | 1,446     |
| Total weighted average diluted shares <sup>(d)</sup>         | 32,248                              | 31,038    | 31,969                             | 31,598    |
| Net income basic   | \$ 1.18                             | \$ 0.95   | \$ 3.31                            | \$ 2.73   |
| Net income diluted   | \$ 1.08                             | \$ 0.90   | \$ 3.07                            | \$ 2.56   |

<sup>(a)</sup> Includes vested restricted stock units of 237 and 196, as well as shares in the Company's non-qualified savings plan of 32 and 34 for the three months ended September 30, 2011 and 2010, respectively, and vested restricted stock units of 229 and 190, as well as shares in the Company's non-qualified savings plan of 32 and 33 for the nine months ended September 30, 2011 and 2010.

<sup>(b)</sup> Includes shares related to outstanding option award agreements and shares related to unvested or deferred restricted stock unit awards. For the nine-month periods ended September 30, 2011 and 2010, respectively, there were four and zero unvested or deferred restricted stock units that were excluded from shares applicable to stock-based compensation because their impact would be anti-dilutive. There were no anti-dilutive shares for the three months ended September 30, 2011 or 2010.

<sup>(c)</sup> The shares issuable with respect to the Company's 2009 Convertible Notes due 2029 (the 2009 Convertible Notes) have been calculated using the treasury stock method. The Company intends to settle the principal portion of the convertible debt in cash; therefore, only the shares related to the conversion spread have been included in weighted average diluted shares.

<sup>(d)</sup> Except as described in footnote (b), there are no anti-dilutive shares.



**Table of Contents****CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)****6. Long-Term Debt**

The Company's long-term debt instruments and balances outstanding at September 30, 2011 and 2010, and December 31, 2010 were as follows (in thousands):

|   | Balance at            |            |                      |
|---|-----------------------|------------|----------------------|
|   | September 30,<br>2011 | 2010       | December 31,<br>2010 |
| Domestic and multi-currency line of credit up to \$280,000 due 2015 | \$ 224,000            | \$ -       | \$ -                 |
| USD line of credit up to \$300,000 due 2012                         | -                     | 173,358    | 215,025              |
| 6.21% senior unsecured notes due 2021                               | 25,000                | 25,000     | 25,000               |
| 6.09% senior unsecured notes due 2016                               | 35,000                | 35,000     | 35,000               |
| 6.12% senior unsecured notes due 2012                               | 26,667                | 40,000     | 26,667               |
| 7.26% senior unsecured notes due 2017                               | 25,000                | 25,000     | 25,000               |
| Variable rate senior unsecured note due 2015                        | 50,000                | -          | -                    |
| Variable rate senior unsecured note due 2012                        | -                     | 28,880     | 25,840               |
| 5.25% convertible senior unsecured notes due 2029                   | 106,313               | 103,488    | 104,172              |
| Total debt  | \$ 491,980            | \$ 430,726 | \$ 456,704           |
| Less current portion  | 21,856                | 25,493     | 24,433               |
| Total long-term debt  | \$ 470,124            | \$ 405,233 | \$ 432,271           |

On March 30, 2011, the Company entered into a new credit agreement for up to \$330.0 million of credit with a group of commercial banks (the "Credit Agreement"). The Credit Agreement matures on March 31, 2015 and consists of a \$280.0 million line of credit, which includes the ability to borrow up to \$50.0 million in specified foreign currencies or U.S. dollars (the "Domestic and Multi-currency Line"), and a \$50.0 million term loan facility (the "2015 Variable Rate Notes"). Interest on the Domestic and Multi-currency Line is charged, at the Company's option, at either the London Interbank Offered Rate (LIBOR) plus a margin varying from 2.00% to 3.25%, or at the agent's base rate plus a margin varying from 0.50% to 1.75%. Interest on the 2015 Variable Rate Notes is charged, at the Company's option, at either LIBOR plus a margin of 3.50% or at the agent's base rate plus a margin of 2.00%. The margin for the Domestic and Multi-currency Line is dependent on the Company's cash flow leverage ratios as defined in the Credit Agreement. The Company also pays a fee on the unused portion of the Domestic and Multi-currency Line ranging from 0.25% to 0.50% (0.38% at September 30, 2011) based on the Company's cash flow leverage ratios. The weighted average interest rate (including margin) on the Domestic and Multi-currency Line and the 2015 Variable Rate Notes, respectively, was 2.75% and 3.75% at September 30, 2011. Beginning on March 31, 2012, the 2015 Variable Rate Notes require quarterly principal payments of \$2.1 million with any outstanding principal remaining due at maturity on March 31, 2015.

In conjunction with the entry into the Credit Agreement, the Company repaid all outstanding revolving credit loans under its \$300.0 million domestic line of credit due 2012 (the "USD Line of Credit") and its variable rate senior unsecured note due 2012 (the "2012 Variable Rate Notes") with proceeds of the Credit Agreement.

At September 30, 2011, borrowings under the Company's Domestic and Multi-currency Line consisted of multiple pricing tranches with maturity dates ranging from four to 31 days, and at September 30, 2010, borrowings under the Company's USD Line of Credit consisted of three pricing tranches with maturity dates ranging from one to 30 days. However, the Company routinely refinances borrowings pursuant to the terms of its Domestic and Multi-currency Line, and it also routinely refinanced borrowings under its USD Line of Credit before it was repaid on March 30, 2011. Therefore, these borrowings are reported as part of the applicable line of credit and as long-term debt.

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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)**

In connection with the Domestic and Multi-currency Line and the 2015 Variable Rate Notes, the Company incurred approximately \$2.6 million for issuance costs, which primarily consisted of underwriting fees, legal and other professional expenses. These costs are being amortized over a period of three years and are included in Other assets in the Company's consolidated balance sheets.

On March 30, 2011, in conjunction with the establishment of the Credit Agreement, the Company entered into a separate credit agreement for the issuance of \$20.0 million in letters of credit (the Letter of Credit Facility). The Company had standby letters of credit of \$18.6 million issued under the Letter of Credit Facility at September 30, 2011. Previously, these letters of credit were provided under the USD Line of Credit by reducing the amount available to the Company.

See Note 10 for a discussion of the Company's interest rate cap agreements.

Each of the Company's credit agreements and senior unsecured notes require the Company to maintain certain financial ratios. As of September 30, 2011, the Company was in compliance with all covenants or other requirements set forth in its debt agreements.

**7. Operating Segment Information**

The Company has two operating segments: retail services and e-commerce. The retail services segment includes all of the operations of the Company's Retail Services Division, which is composed of both domestic and foreign storefront locations that offer some or all of the following services: pawn lending, consumer loans, the purchase and sale of merchandise, check cashing and other ancillary services such as money orders, wire transfers and pre-paid debit cards. Most of these ancillary services offered in the retail services segment are provided through third party vendors. The e-commerce segment includes the operations of the Company's E-Commerce Division, which is composed of the Company's domestic and foreign online channel (and includes the Company's internet lending activities and other ancillary services) and, in prior periods, the Company's micro line of credit services business. See Note 11 for further discussion of the proposed divestiture of a majority ownership of the Company's wholly-owned subsidiary that comprises the Company's e-commerce segment.

**Table of Contents****CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)**

The Company allocates corporate administrative expenses to each operating segment based on personnel expenses at each segment. In the e-commerce segment, certain administrative expenses are allocated between the domestic and foreign components based on the amount of loans written.

|   | Retail Services |            |              | E-Commerce |            |            | Consolidated |
|---|-----------------|------------|--------------|------------|------------|------------|--------------|
|   | Domestic        | Foreign    | Total        | Domestic   | Foreign    | Total      |              |
| <b><u>Three Months Ended September 30, 2011</u></b> |                 |            |              |            |            |            |              |
| Revenue   |                 |            |              |            |            |            |              |
| Pawn loan fees and service charges                  | \$ 69,025       | \$ 8,028   | \$ 77,053    | \$ -       | \$ -       | \$ -       | \$ 77,053    |
| Proceeds from disposition of merchandise            | 144,820         | -          | 144,820      | 1          | -          | 1          | 144,821      |
| Consumer loan fees                                  | 32,677          | -          | 32,677       | 67,320     | 62,984     | 130,304    | 162,981      |
| Other   | 2,679           | 16         | 2,695        | 49         | 294        | 343        | 3,038        |
| Total revenue                                       | 249,201         | 8,044      | 257,245      | 67,370     | 63,278     | 130,648    | 387,893      |
| Disposed merchandise                                | 91,863          | -          | 91,863       | -          | -          | -          | 91,863       |
| Consumer loan loss provision                        | 7,513           | -          | 7,513        | 25,472     | 27,591     | 53,063     | 60,576       |
| Total cost of revenue                               | 99,376          | -          | 99,376       | 25,472     | 27,591     | 53,063     | 152,439      |
| Net revenue   | 149,825         | 8,044      | 157,869      | 41,898     | 35,687     | 77,585     | 235,454      |
| Expenses  |                 |            |              |            |            |            |              |
| Operations  | 84,593          | 5,389      | 89,982       | 17,953     | 16,587     | 34,540     | 124,522      |
| Administration                                      | 12,204          | 2,749      | 14,953       | 9,809      | 8,155      | 17,964     | 32,917       |
| Depreciation and amortization                       | 10,510          | 1,488      | 11,998       | 2,634      | 218        | 2,852      | 14,850       |
| Total expenses                                      | 107,307         | 9,626      | 116,933      | 30,396     | 24,960     | 55,356     | 172,289      |
| Income (loss) from operations                       | \$ 42,518       | \$ (1,582) | \$ 40,936    | \$ 11,502  | \$ 10,727  | \$ 22,229  | \$ 63,165    |
| <b><u>As of September 30, 2011</u></b>              |                 |            |              |            |            |            |              |
| Total assets  | \$ 1,017,223    | \$ 121,326 | \$ 1,138,549 | \$ 323,699 | \$ 115,905 | \$ 439,604 | \$ 1,578,153 |
| Goodwill  |                 |            | \$ 327,887   |            |            | \$ 210,282 | \$ 538,169   |

|   | Retail Services |          |           | E-Commerce |         |         | Consolidated |
|---|-----------------|----------|-----------|------------|---------|---------|--------------|
|   | Domestic        | Foreign  | Total     | Domestic   | Foreign | Total   |              |
| <b><u>Three Months Ended September 30, 2010</u></b> |                 |          |           |            |         |         |              |
| Revenue   |                 |          |           |            |         |         |              |
| Pawn loan fees and service charges                  | \$ 56,638       | \$ 7,330 | \$ 63,968 | \$ -       | \$ -    | \$ -    | \$ 63,968    |
| Proceeds from disposition of merchandise            | 116,998         | -        | 116,998   | -          | -       | -       | 116,998      |
| Consumer loan fees                                  | 29,250          | -        | 29,250    | 77,720     | 27,899  | 105,619 | 134,869      |
| Other   | 3,184           | 65       | 3,249     | 276        | -       | 276     | 3,525        |
| Total revenue                                       | 206,070         | 7,395    | 213,465   | 77,996     | 27,899  | 105,895 | 319,360      |
| Disposed merchandise                                | 73,796          | -        | 73,796    | -          | -       | -       | 73,796       |
| Consumer loan loss provision                        | 4,966           | -        | 4,966     | 32,433     | 13,737  | 46,170  | 51,136       |
| Total cost of revenue                               | 78,762          | -        | 78,762    | 32,433     | 13,737  | 46,170  | 124,932      |
| Net revenue   | 127,308         | 7,395    | 134,703   | 45,563     | 14,162  | 59,725  | 194,428      |

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|  |            |            |            |            |           |            |              |  |
|--|------------|------------|------------|------------|-----------|------------|--------------|--|
| Expenses                               |            |            |            |            |           |            |              |  |
| Operations                             | 73,515     | 4,078      | 77,593     | 19,707     | 8,509     | 28,216     | 105,809      |  |
| Administration                         | 11,189     | 2,132      | 13,321     | 11,732     | 2,785     | 14,517     | 27,838       |  |
| Depreciation and amortization          | 7,041      | 1,307      | 8,348      | 2,004      | 70        | 2,074      | 10,422       |  |
| Total expenses                         | 91,745     | 7,517      | 99,262     | 33,443     | 11,364    | 44,807     | 144,069      |  |
| Income (loss) from operations          | \$ 35,563  | \$ (122)   | \$ 35,441  | \$ 12,120  | \$ 2,798  | \$ 14,918  | \$ 50,359    |  |
| <b><u>As of September 30, 2010</u></b> |            |            |            |            |           |            |              |  |
| Total assets                           | \$ 844,756 | \$ 121,271 | \$ 966,027 | \$ 343,870 | \$ 53,653 | \$ 397,523 | \$ 1,363,550 |  |
| Goodwill                               |            |            | \$ 305,063 |            |           | \$ 210,282 | \$ 515,345   |  |

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|  | Retail Services |            |            | E-Commerce |           |           | Consolidated |
|--|-----------------|------------|------------|------------|-----------|-----------|--------------|
|  | Domestic        | Foreign    | Total      | Domestic   | Foreign   | Total     |              |
| <b><u>Nine Months Ended September 30, 2011</u></b> |                 |            |            |            |           |           |              |
| Revenue  |                 |            |            |            |           |           |              |
| Pawn loan fees and service charges                 | \$ 190,409      | \$ 21,881  | \$ 212,290 | \$ -       | \$ -      | \$ -      | \$ 212,290   |
| Proceeds from disposition of merchandise           | 435,745         | -          | 435,745    | 30         | -         | 30        | 435,775      |
| Consumer loan fees                                 | 85,832          | -          | 85,832     | 181,243    | 151,447   | 332,690   | 418,522      |
| Other  | 9,248           | 292        | 9,540      | 392        | 831       | 1,223     | 10,763       |
| Total revenue                                      | 721,234         | 22,173     | 743,407    | 181,665    | 152,278   | 333,943   | 1,077,350    |
| Disposed merchandise                               | 270,692         | -          | 270,692    | 23         | -         | 23        | 270,715      |
| Consumer loan loss provision                       | 15,452          | -          | 15,452     | 59,134     | 70,619    | 129,753   | 145,205      |
| Total cost of revenue                              | 286,144         | -          | 286,144    | 59,157     | 70,619    | 129,776   | 415,920      |
| Net revenue  | 435,090         | 22,173     | 457,263    | 122,508    | 81,659    | 204,167   | 661,430      |
| Expenses   |                 |            |            |            |           |           |              |
| Operations   | 247,337         | 17,632     | 264,969    | 45,164     | 42,866    | 88,030    | 352,999      |
| Administration                                     | 38,198          | 7,703      | 45,901     | 27,490     | 19,223    | 46,713    | 92,614       |
| Depreciation and amortization                      | 26,567          | 4,459      | 31,026     | 7,956      | 618       | 8,574     | 39,600       |
| Total expenses                                     | 312,102         | 29,794     | 341,896    | 80,610     | 62,707    | 143,317   | 485,213      |
| Income (loss) from operations                      | \$ 122,988      | \$ (7,621) | \$ 115,367 | \$ 41,898  | \$ 18,952 | \$ 60,850 | \$ 176,217   |

|  | Retail Services |           |            | E-Commerce |          |           | Consolidated |
|--|-----------------|-----------|------------|------------|----------|-----------|--------------|
|  | Domestic        | Foreign   | Total      | Domestic   | Foreign  | Total     |              |
| <b><u>Nine Months Ended September 30, 2010</u></b> |                 |           |            |            |          |           |              |
| Revenue  |                 |           |            |            |          |           |              |
| Pawn loan fees and service charges                 | \$ 158,580      | \$ 23,176 | \$ 181,756 | \$ -       | \$ -     | \$ -      | \$ 181,756   |
| Proceeds from disposition of merchandise           | 372,731         | -         | 372,731    | -          | -        | -         | 372,731      |
| Consumer loan fees                                 | 83,576          | -         | 83,576     | 207,631    | 67,969   | 275,600   | 359,176      |
| Other  | 9,907           | 139       | 10,046     | 794        | -        | 794       | 10,840       |
| Total revenue                                      | 624,794         | 23,315    | 648,109    | 208,425    | 67,969   | 276,394   | 924,503      |
| Disposed merchandise                               | 234,158         | -         | 234,158    | -          | -        | -         | 234,158      |
| Consumer loan loss provision                       | 12,971          | -         | 12,971     | 85,312     | 31,680   | 116,992   | 129,963      |
| Total cost of revenue                              | 247,129         | -         | 247,129    | 85,312     | 31,680   | 116,992   | 364,121      |
| Net revenue  | 377,665         | 23,315    | 400,980    | 123,113    | 36,289   | 159,402   | 560,382      |
| Expenses   |                 |           |            |            |          |           |              |
| Operations   | 219,568         | 12,486    | 232,054    | 50,120     | 22,085   | 72,205    | 304,259      |
| Administration                                     | 34,571          | 6,305     | 40,876     | 28,932     | 9,024    | 37,956    | 78,832       |
| Depreciation and amortization                      | 21,539          | 3,681     | 25,220     | 5,935      | 200      | 6,135     | 31,355       |
| Total expenses                                     | 275,678         | 22,472    | 298,150    | 84,987     | 31,309   | 116,296   | 414,446      |
| Income from operations                             | \$ 101,987      | \$ 843    | \$ 102,830 | \$ 38,126  | \$ 4,980 | \$ 43,106 | \$ 145,936   |

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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)**

**8. Litigation**

On August 6, 2004, James E. Strong filed a purported class action lawsuit in the State Court of Cobb County, Georgia against Georgia Cash America, Inc., Cash America International, Inc. (together with Georgia Cash America, Inc., Cash America ), Daniel R. Feehan, and several unnamed officers, directors, owners and stakeholders of Cash America. The lawsuit alleges many different causes of action, among the most significant of which is that Cash America made illegal short-term loans in Georgia in violation of Georgia's usury law, the Georgia Industrial Loan Act and Georgia's Racketeer Influenced and Corrupt Organizations Act. Community State Bank (CSB) for some time made loans to Georgia residents through Cash America's Georgia operating locations. The complaint in this lawsuit claims that Cash America was the true lender with respect to the loans made to Georgia borrowers and that CSB's involvement in the process is a mere subterfuge. Based on this claim, the suit alleges that Cash America was the de facto lender and was illegally operating in Georgia. The complaint seeks unspecified compensatory damages, attorney's fees, punitive damages and the trebling of any compensatory damages. In November 2009, the trial court certified the case as a class action lawsuit, and after an appeal by Cash America, the Supreme Court of Georgia upheld the class certification in March 2011. In August 2011, Cash America filed a motion for summary judgment, and the plaintiffs have requested an extension of time to respond to the motion. A hearing on this motion is set for October 2011. The case was previously set for jury trial in October 2011, but the trial date has been continued and will be reset. Cash America believes that the Plaintiffs' claims in this suit are without merit and is vigorously defending this lawsuit.

Cash America and CSB also commenced a federal lawsuit on September 7, 2004 in the U.S. District Court for the Northern District of Georgia seeking to compel Mr. Strong to arbitrate his claims against Cash America and CSB. The U.S. District Court dismissed the federal action for lack of subject matter jurisdiction, and Cash America and CSB appealed the dismissal of their complaint to the U.S. Court of Appeals for the 11<sup>th</sup> Circuit. The 11<sup>th</sup> Circuit issued a panel decision in April 2007 reversing the district court's dismissal of the action and remanding the action to the district court for a determination of the issue of the enforceability of the parties' arbitration agreements. Plaintiff requested the 1<sup>st</sup> Circuit to review this decision en banc and this request was granted. The en banc rehearing took place in February 2008, and at the request of the 11<sup>th</sup> Circuit panel, the parties provided additional briefing in the summer of 2009 following a ruling by the United States Supreme Court that federal courts can compel arbitration of a state court action in certain instances. In August 2011, the 11<sup>th</sup> Circuit affirmed the trial court's decision precluding Cash America from compelling arbitration, and in September 2011, Cash America filed a petition for rehearing en banc to the 11<sup>th</sup> Circuit arguing that the panel's decision should be reversed. The parties are awaiting the 1<sup>st</sup> Circuit court's decision with respect to this petition. The Strong litigation is still at an early stage, and neither the likelihood of an unfavorable outcome nor the ultimate liability, if any, with respect to this litigation can be determined at this time.

On March 5, 2009, Peter Alfeche and Kim Saunders, on behalf of themselves and others similarly situated, filed a purported class action lawsuit in the United States District Court for the Eastern District of Pennsylvania against Cash America International, Inc., Cash America Net of Nevada, LLC (CashNet Nevada), Cash America Net of Pennsylvania, LLC and Cash America of PA, LLC, d/b/a CashNetUSA.com (collectively, CashNetUSA). The lawsuit alleges, among other things, that CashNetUSA's online consumer loan activities in Pennsylvania were illegal and in violation of various Pennsylvania laws, including the Loan Interest Protection Law, the Pennsylvania Consumer Discount Company Act (the CDCA) and the Unfair Trade Practices and Consumer Protection Laws. The lawsuit also seeks declaratory judgment that several of CashNetUSA's contractual provisions, including the class action waiver and the choice of law and arbitration provisions, are not enforceable under Pennsylvania law and that CashNet USA's loan contracts are void and unenforceable. The complaint seeks compensatory damages (including the trebling of certain damages), punitive damages and attorney's fees. CashNetUSA filed a motion to enforce the arbitration provision, including the class action waiver, located in the agreements governing the lending activities. In August 2011, the U.S. District Court ruled that the arbitration provisions, which include the class action waiver, were

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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)**

valid and enforceable and granted CashNetUSA's motion to enforce the arbitration provision and stayed the litigation. Following this ruling, in August 2011 the plaintiffs filed a motion for reconsideration, which the court denied. In September 2011, plaintiffs filed a motion for certification for interlocutory appeal and the court has not yet ruled on this motion. The Alfeche litigation is still at an early stage, and neither the likelihood of an unfavorable outcome nor the ultimate liability, if any, with respect to this litigation can be determined at this time. CashNetUSA believes that the Plaintiffs' claims in this suit are without merit and will vigorously defend this lawsuit.

On April 21, 2009, Yulon Clerk, on behalf of herself and others similarly situated, filed a purported class action lawsuit in the Court of Common Pleas of Philadelphia County, Pennsylvania, against CashNet Nevada and several other unrelated third-party lenders. The lawsuit alleges, among other things, that the defendants' lending activities in Pennsylvania, including CashNet Nevada's online consumer loan lending activities in Pennsylvania, were illegal and in violation of various Pennsylvania laws, including the Loan Interest Protection Law, the CDCA and the Unfair Trade Practices and Consumer Protection Laws. The lawsuit seeks restitution, compensatory damages (including the trebling of certain damages), statutory damages, injunctive relief and attorney's fees. The defendants removed the case to the United States District Court for the Eastern District of Pennsylvania where the lawsuit now resides. The case was subsequently reassigned to the same judge presiding in the Alfeche litigation. In August 2009, the Court severed the claims against the other defendants originally named in the litigation. CashNet Nevada filed a motion to enforce the arbitration provision, including the class action waiver, located in the agreements governing the lending activities. In August, 2011, the U.S. District Court ruled that the arbitration provisions, which includes the class action waiver, were valid and enforceable and granted CashNet Nevada's motion to compel arbitration and stayed the litigation. Neither the likelihood of an unfavorable outcome nor the ultimate liability, if any, with respect to any future filed arbitrations can be determined at this time. CashNet Nevada believes that the plaintiffs' claims are without merit and will vigorously defend any arbitration claims that are initiated.

On December 4, 2009, Krystle Wilson filed a lawsuit against Cash America Net of Illinois d/b/a CashNetUSA alleging violation of the Texas Debt Collection Practices Act, violation of the Texas Deceptive Trade Practices Act, and invasion of privacy. In April 2011, the plaintiff amended her petition to include a purported class action claim and named Cash America International, Inc., Cash America Net Holdings, LLC, Cash America Net of Texas, LLC and Enova Financial Holdings, LLC as additional defendants (and corrected the name of the previously-named defendant to Cash America Net of Illinois, LLC) (collectively, "CashNet"). The amended petition alleges, among other things, that CashNet's consumer loan activities violate the Texas Credit Services Organization Act ("CSOA") and that in its efforts to collect on loans issued through the CSOA loan program, CashNet violated the Texas and Federal Fair Debt Collection Practices Acts. The plaintiff seeks unspecified compensatory damages, attorney's fees and punitive damages. In June 2011, CashNet removed this action to the United States District Court for the Northern District of Texas (Fort Worth Division) and has filed a motion to enforce the arbitration provision located in the agreements governing the lending activities. The parties are awaiting the court's ruling on this motion. In September 2011, the court granted the parties' joint motion requesting that the case be stayed pending resolution of the motion to enforce the arbitration provision. The Wilson matter is still at an early stage, and neither the likelihood of an unfavorable outcome nor the ultimate liability, if any, with respect to this matter can be determined at this time. CashNet believes that the plaintiff's claims in this suit are without merit and will vigorously defend this lawsuit.

The Company is also a defendant in certain routine litigation matters encountered in the ordinary course of its business. Certain of these matters are covered to an extent by insurance. In the opinion of management, the resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or liquidity.

**Table of Contents****CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)****9. Fair Value Measurements****Recurring Fair Value Measurements**

In accordance with ASC 820-10, *Fair Value Measurements and Disclosures* (ASC 820-10), certain of the Company's assets and liabilities, which are carried at fair value, are classified in one of the following three categories:

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

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

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

The Company's financial assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2011 and 2010 and December 31, 2010 are as follows (in thousands):

|   | September 30,<br>2011    | Fair Value Measurements Using |                 |             |
|---|--------------------------|-------------------------------|-----------------|-------------|
|   |                          | Level 1                       | Level 2         | Level 3     |
| <b>Financial assets (liabilities):</b>          |                          |                               |                 |             |
| Interest rate contracts                         | \$ 1                     | \$ -                          | \$ 1            | \$ -        |
| Forward currency exchange contracts             | 311                      | -                             | 311             | -           |
| Nonqualified savings plan assets <sup>(a)</sup> | 7,705                    | 7,705                         | -               | -           |
| Available for sale securities <sup>(b)</sup>    | 5,003                    | 5,003                         | -               | -           |
| <b>Total</b>                                    | <b>\$ 13,020</b>         | <b>\$ 12,708</b>              | <b>\$ 312</b>   | <b>\$ -</b> |
|   | September<br>30,<br>2010 | Fair Value Measurements Using |                 |             |
|   |                          | Level 1                       | Level 2         | Level 3     |
| <b>Financial assets (liabilities):</b>          |                          |                               |                 |             |
| Interest rate contracts                         | \$ 4                     | \$ -                          | \$ 4            | \$ -        |
| Forward currency exchange contracts             | 42                       | -                             | 42              | -           |
| Nonqualified savings plan assets <sup>(a)</sup> | 6,498                    | 6,498                         | -               | -           |
| Available for sale securities <sup>(b)</sup>    | 8,480                    | 8,480                         | -               | -           |
| <b>Total</b>                                    | <b>\$ 15,024</b>         | <b>\$ 14,978</b>              | <b>\$ 46</b>    | <b>\$ -</b> |
|   | December 31,<br>2010     | Fair Value Measurements Using |                 |             |
|   |                          | Level 1                       | Level 2         | Level 3     |
| <b>Financial assets (liabilities):</b>          |                          |                               |                 |             |
| Interest rate contracts                         | \$ 7                     | \$ -                          | \$ 7            | \$ -        |
| Forward currency exchange contracts             | (577)                    | -                             | (577)           | -           |
| Nonqualified savings plan assets <sup>(a)</sup> | 7,073                    | 7,073                         | -               | -           |
| Available for sale securities <sup>(b)</sup>    | 3,650                    | 3,650                         | -               | -           |
| <b>Total</b>                                    | <b>\$ 10,153</b>         | <b>\$ 10,723</b>              | <b>\$ (570)</b> | <b>\$ -</b> |



- (a) The non-qualified savings plan assets have an offsetting liability of equal amount, which is included in Accounts payable and accrued expenses in the Company's consolidated balance sheets.
- (b) Unrealized total (losses) gains on these securities of (\$0.6) million, \$2.8 million and (\$2.0) million as of September 30, 2011 and 2010 and December 31, 2010, respectively, are recorded in Accumulated other comprehensive income (loss) in the Company's consolidated statements of equity.

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The Company measures the value of its interest rate contracts and forward currency exchange contracts under Level 2 inputs as defined by ASC 820-10. For its interest rate contracts the Company relies on a market place valuation based on yield curves using observable market interest rates for the interest rate contracts. For its forward currency exchange contracts, standard valuation models are used to determine fair value. The significant inputs used in these models are derived from observable market transactions. The fair value of the nonqualified savings plan assets and certain available for sale securities are measured under a Level 1 input. These assets are publicly traded equity securities for which market prices are readily observable. During the nine months ended September 30, 2011 and 2010, there were no transfers of assets in or out of Level 1 or Level 2 fair value measurements.

**Other Fair Value Disclosures**

The carrying amounts and estimated fair values of financial instruments at September 30, 2011 and 2010 and December 31, 2010 were as follows (in thousands):

|                           | As of September 30, |                      |                |                      | As of December 31, |                      |
|---------------------------|---------------------|----------------------|----------------|----------------------|--------------------|----------------------|
|                           | 2011                |                      | 2010           |                      | 2010               |                      |
|                           | Carrying Value      | Estimated Fair Value | Carrying Value | Estimated Fair Value | Carrying Value     | Estimated Fair Value |
| Financial assets:         |                     |                      |                |                      |                    |                      |
| Cash and cash equivalents | \$ 54,364           | \$ 54,364            | \$ 52,427      | \$ 52,427            | \$ 38,324          | \$ 38,324            |
| Pawn loans                | 244,441             | 244,441              | 196,278        | 196,278              | 218,408            | 218,408              |
| Consumer loans, net       | 191,642             | 191,642              | 129,480        | 129,480              | 139,377            | 139,377              |
| Financial liabilities:    |                     |                      |                |                      |                    |                      |
| Bank lines of credit      | \$ 224,000          | \$ 231,112           | \$ 173,358     | \$ 168,687           | \$ 215,025         | \$ 211,576           |
| Senior unsecured notes    | 161,667             | 161,313              | 153,880        | 154,338              | 137,507            | 134,125              |
| 2009 Convertible Notes    | 106,313             | 241,069              | 103,488        | 177,963              | 104,172            | 185,725              |

Cash and cash equivalents bear interest at market rates and have maturities of less than 90 days. Pawn loans and consumer loans also have relatively short maturity periods. Since cash and cash equivalents, pawn loans and consumer loans generally have relatively short maturity periods, their fair value approximates their carrying value. Pawn loan fee and service charge rates are determined by regulations and bear no valuation relationship to the capital markets' interest rate movements. Generally, pawn loans may only be resold to a licensed pawnbroker.

The fair values of the Company's long-term debt instruments are estimated based on market values for debt issues with similar characteristics or rates currently available for debt with similar terms. The 2009 Convertible Notes have a higher fair value than carrying value due to the Company's stock price as of each period presented above exceeding the applicable conversion price for the 2009 Convertible Notes, thereby increasing the value of the instrument for bondholders.

**10. Derivative Instruments**

The Company periodically uses derivative instruments to manage risk from changes in market conditions that may affect the Company's financial performance. The Company primarily uses derivative instruments to manage its primary market risks, which are interest rate risk and foreign currency exchange rate risk.

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## CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

The Company uses interest rate cap agreements for the purpose of managing interest rate exposure on its floating rate debt. For derivatives designated as cash flow hedges, the effective portions of changes in the estimated fair value of the derivative are reported in Accumulated other comprehensive income (loss) (or OCI) on the Company's consolidated balance sheets and are subsequently reclassified into earnings when the hedged item affects earnings. The change in the estimated fair value of the ineffective portion of the hedge, if any, will be recorded as income or expense.

On December 3, 2008, the Company entered into an interest rate cap agreement with a notional amount of \$15.0 million to hedge the Company's outstanding floating rate line of credit for a term of 36 months at a fixed rate of 3.25%. On March 27, 2009, the Company entered into an interest rate cap agreement with a notional amount of \$15.0 million to hedge the Company's outstanding floating rate line of credit for a term of 36 months at a fixed rate of 3.25%. These interest rate contracts have been determined to be perfectly effective cash flow hedges, pursuant to ASC 815-20-25, *Derivatives and Hedging - Recognition* at inception and on an ongoing basis.

The Company uses forward currency exchange contracts to minimize the effects of foreign currency risk in the United Kingdom, Australia and Mexico. As of September 30, 2011, the Company designated the intercompany balance related to its Mexico operations as long-term; therefore, future gains and losses related to the translation of this balance will be recognized in Accumulated other comprehensive income (loss) in the accompanying consolidated statements of equity. The Company's forward currency exchange contracts are non-designated derivatives. Any gain or loss resulting from these contracts is recorded as income or loss and is included in Foreign currency transaction gain (loss) in the Company's consolidated statements of income. The Company does not currently manage its exposure to risk from foreign currency exchange rate fluctuations through the use of forward currency exchange contracts in Canada. As the Company's foreign operations continue to grow, management will continue to evaluate and implement foreign exchange rate risk management strategies.

The fair values of the Company's derivative instruments at September 30, 2011 and 2010 and December 31, 2010 were as follows (in thousands):

| Assets                              | Balance Sheet Location | September 30, 2011 |            | Balance at September 30, 2010 |            | December 31, 2010 |            |
|-------------------------------------|------------------------|--------------------|------------|-------------------------------|------------|-------------------|------------|
|                                     |                        | Notional Amount    | Fair Value | Notional Amount               | Fair Value | Notional Amount   | Fair Value |
| Derivatives designated as hedges:   |                        |                    |            |                               |            |                   |            |
|                                     | Prepaid expenses and   |                    |            |                               |            |                   |            |
| Interest rate contracts             | other assets           | \$ 30,000          | \$ 1       | \$ 30,000                     | \$ 4       | \$ 30,000         | \$ 7       |
| Non-designated derivatives:         |                        |                    |            |                               |            |                   |            |
|                                     | Prepaid expenses and   |                    |            |                               |            |                   |            |
| Forward currency exchange contracts | other assets           | \$ 64,767          | \$ 311     | \$ 44,548                     | \$ 42      | \$ 46,392         | \$ (577)   |

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## CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

The following table presents information on the effect of derivative instruments on the consolidated results of operations and OCI for the three and nine months ended September 30, 2011 and 2010 (in thousands):

|  | Gains (Losses) Recognized<br>in<br>Income |          | Gains Recognized<br>in<br>OCI          |      | Gains (Losses) Reclassified<br>From OCI into<br>Income |      |
|--|---|----------|--|------|--|------|
|  | Three Months Ended<br>September 30,       |          | Three Months<br>Ended<br>September 30, |      | Three Months Ended<br>September 30,                    |      |
|  | 2011                                      | 2010     | 2011                                   | 2010 | 2011   | 2010 |
| Derivatives designated as hedges:                  |   |          |  |      |  |      |
| Interest rate contracts                            | \$  | \$       | \$ 31                                  | \$ 4 | \$   | \$   |
| Total  | \$  | \$       | \$ 31                                  | \$ 4 | \$   | \$   |
| Non-designated derivatives:                        |   |          |  |      |  |      |
| Forward currency exchange contracts <sup>(a)</sup> | \$ 4,090                                  | \$ (432) | \$                                     | \$   | \$   | \$   |
| Total  | \$ 4,090                                  | \$ (432) | \$                                     | \$   | \$   | \$   |

|  | Gains (Losses) Recognized<br>in<br>Income |          | Gains (Losses) Recognized<br>in OCI |          | Gains (Losses) Reclassified<br>From OCI into<br>Income |      |
|--|---|----------|-------------------------------------|----------|--|------|
|  | Nine Months Ended<br>September 30,        |          | Nine Months Ended<br>September 30,  |          | Nine Months Ended<br>September 30,                     |      |
|  | 2011                                      | 2010     | 2011                                | 2010     | 2011   | 2010 |
| Derivatives designated as hedges:                  |   |          |                                     |          |  |      |
| Interest rate contracts                            | \$  | \$       | \$ 70                               | \$ (114) | \$   | \$   |
| Total  | \$  | \$       | \$ 70                               | \$ (114) | \$   | \$   |
| Non-designated derivatives:                        |   |          |                                     |          |  |      |
| Forward currency exchange contracts <sup>(a)</sup> | \$ 2,382                                  | \$ (706) | \$                                  | \$       | \$   | \$   |
| Total  | \$ 2,382                                  | \$ (706) | \$                                  | \$       | \$   | \$   |

<sup>(a)</sup> The gains (losses) on these derivatives substantially offset the gains (losses) on foreign intercompany balances.

**11. Proposed Divestiture of Enova**

On September 15, 2011, Enova, a wholly-owned subsidiary of the Company, filed a registration statement on Form S-1 with the Securities and Exchange Commission in connection with a proposed initial public offering ( IPO ) of its common stock. The number of shares of common stock to be offered and the price range for the offering have not yet been determined. Enova is a provider of online financial services to alternative credit consumers and offers consumer loans, including short-term single payment loans (which are commonly referred to as payday loans) in the United States, the United Kingdom, Australia and Canada, and multi-payment installment loans, in the United States and the United Kingdom. Enova also provided MLOC services in 2008, 2009, and 2010, which ended in 2010. Enova includes all of the operations in the Company's e-commerce segment. The Company and Enova plan to sell shares of Enova common stock in the IPO, subject to market conditions. In the IPO,

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Enova will offer common stock to the public, and the Company will also offer a portion of its interest in Enova to the public, with the Company intending to

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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)**

retain 35% to 49% of its ownership interest in Enova immediately following the IPO. After completion of the offering, Enova will be deconsolidated, and the Company will account for its investment in Enova under the equity method of accounting.

At the date of this report, the registration statement is not effective. The completion of the offering is subject to numerous conditions, including market conditions, and the Company can provide no assurance that it will be successfully completed. The securities offered under the registration statement may not be sold, nor may offers to buy be accepted prior to the time that the registration statement becomes effective. The information contained in this Form 10-Q with respect to this offering shall not constitute an offer to sell or a solicitation of an offer to buy these securities.

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

The following discussion of results of operations, liquidity and capital resources and certain factors that may affect future results, including economic and industry-wide factors, of Cash America International, Inc. (the Company) should be read in conjunction with the Company's consolidated financial statements and accompanying notes included under Part I, Item I of this Quarterly Report on Form 10-Q, as well as with Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K for the calendar year ended December 31, 2010.

**General**

The Company provides specialty financial services to individuals through retail services locations and through electronic distribution platforms known as e-commerce activities. These services include secured non-recourse loans, commonly referred to as pawn loans, and secured and unsecured consumer loans.

Pawn loans are short-term loans (generally 30 to 90 days) made on the pledge of tangible personal property. Pawn loan fees and service charges revenue are generated from the Company's pawn loan portfolio. A related activity of the pawn lending operations is the disposition of collateral from unredeemed pawn loans and the liquidation of a smaller volume of merchandise purchased directly from third parties or from customers.

The Company's consumer loan portfolio includes short-term single payment loans (commonly referred to as payday loans), longer-term multi-payment installment loans, credit services and, through October 2010, participation interests purchased from third parties in the micro line of credit (or MLOC) services channel. Consumer loans provide customers with cash, typically in exchange for a promissory note or other repayment agreement. Through the Credit Services Organization program (the CSO program), the Company markets and services third-party lenders' consumer loan products in certain states by acting as a credit services organization on behalf of consumers in accordance with applicable state laws. The CSO program includes credit services, loans arranged with independent third-party lenders, assistance in the preparation of loan applications and loan documents and acceptance of loan payments. The Company also guarantees the customer's payment obligations in the event of default if the customer is approved for and accepts the loan through the CSO program. A customer who obtains a loan through the CSO program pays the Company a fee for these credit services (CSO fees). Although consumer loan transactions may take the form of loans, deferred check deposit transactions, credit services transactions, or, in prior periods, the processing of, and the participation in receivables originated by, a third-party lender's MLOC product, the transactions are referred to throughout this discussion as consumer loans.

**Table of Contents****Retail Services Segment**

The following table sets forth the number of domestic and foreign locations in the Company's retail services segment offering pawn lending, consumer lending, and other services as of September 30, 2011 and 2010. The Company's domestic retail services locations operate under the names Cash America Pawn, SuperPawn, Cash America Payday Advance, Cashland, Maxit, Pawn X-Change and Mr. Payroll. (Maxit and X-Change were acquired in October 2010.) The Company's foreign retail services locations (of which the Company is a majority owner) operate under the name Prenda Fácil.

|                                     | 2011                       |                        | As of September 30, |                            | 2010                   |       |
|-------------------------------------|----------------------------|------------------------|---------------------|----------------------------|------------------------|-------|
|                                     | Domestic <sup>(a)(b)</sup> | Foreign <sup>(a)</sup> | Total               | Domestic <sup>(a)(b)</sup> | Foreign <sup>(a)</sup> | Total |
| Retail services locations offering: |                            |                        |                     |                            |                        |       |
| Both pawn and consumer lending      | 571                        | -                      | 571                 | 569                        | -                      | 569   |
| Pawn lending only                   | 125                        | 186                    | 311                 | 77                         | 202                    | 279   |
| Consumer lending only               | 86                         | -                      | 86                  | 89                         | -                      | 89    |
| Other <sup>(c)</sup>                | 115                        | -                      | 115                 | 125                        | -                      | 125   |
| Total retail services               | 897                        | 186                    | 1,083               | 860                        | 202                    | 1,062 |

(a) Except as described in (c) below, includes locations that operate in 23 states in the United States as of both September 30, 2011 and 2010, respectively, and 21 states in Mexico, as of both September 30, 2011 and 2010.

(b) Includes eight and nine unconsolidated franchised locations operating under the name Cash America Pawn as of both September 30, 2011 and 2010, respectively.

(c) As of September 30, 2011 and 2010, includes six and five consolidated Company-owned check cashing locations, respectively, and 109 and 120 unconsolidated franchised check cashing locations, respectively. As of September 30, 2011, includes locations that operate in 18 states in the United States.

**E-Commerce Segment**

As of September 30, 2011, the Company's e-commerce operating segment offers consumer loans to customers over the Internet:

in 32 states in the United States at <http://www.cashnetusa.com>,  
in the United Kingdom at <http://www.quickquid.co.uk> and <http://www.poundstopocket.co.uk>,  
in Australia at <http://www.dollarsdirect.com.au>, and  
in Canada at <http://www.dollarsdirect.ca>.

The e-commerce segment also includes the Company's MLOC services channel, which processed MLOC advances on behalf of a third-party lender and had a participation interest in MLOC receivables during most of 2010. In the past, the MLOC services channel generated its earnings through loan processing services the Company provided for a third-party lender, as well as from fees generated from participation interests in receivables the Company acquired. This program ended in October 2010 because the third-party lender discontinued offering MLOC advances. The Company intends to continue pursuing the development of new MLOC opportunities during 2011 and future periods.

**Recent Developments**

On September 15, 2011, Enova International, Inc. (Enova), a wholly-owned subsidiary of the Company that comprises the Company's e-commerce segment, filed a registration statement on Form S-1 with the Securities and Exchange Commission in connection with a proposed initial public offering (IPO) of its common stock. The number of shares of common stock to be offered and the price range for the offering have not yet been determined. Enova is a provider of online financial services to alternative credit consumers and offers consumer loans, including short-term





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single payment loans (which are commonly referred to as payday loans) in the United States, the United Kingdom, Australia and Canada, and multi-payment installment loans, in the United States and the United Kingdom. Enova also provided MLOC services in 2008, 2009 and 2010, which ended in 2010. Enova includes all of the operations in the Company's e-commerce segment. The Company and Enova plan to sell shares of Enova common stock in the IPO, subject to market conditions. In the IPO, Enova will offer shares of its common stock to the public and the Company will offer a portion of its interest in Enova to the public, with the Company intending to retain 35% to 49% of its ownership interest in Enova immediately following the IPO. After completion of the offering, Enova will be deconsolidated, and the Company will account for its investment in Enova under the equity method of accounting.

At the date of this report, the registration statement is not effective. The completion of the offering is subject to numerous conditions, including market conditions, and the Company can provide no assurance that it will be successfully completed. The securities offered under the registration statement may not be sold, nor may offers to buy be accepted prior to the time that the registration statement becomes effective. The information contained in this Form 10-Q with respect to this offering shall not constitute an offer to sell or a solicitation of an offer to buy these securities. Upon completion of the proposed initial public offering, the Company intends to use the proceeds it receives in the offering and from the repayment of Enova's intercompany indebtedness to the Company of \$358.6 million as of September 30, 2011, net of applicable taxes, to repay a portion of the amounts outstanding under its domestic line of credit and for other general corporate purposes, which may include, among other potential uses, funding its strategy of expanding its storefront business and products in the United States and Latin America and possibly its repurchases of the Company's common stock.

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**CRITICAL ACCOUNTING POLICIES**

Except as described below, since December 31, 2010, there have been no changes in critical accounting policies as described in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

***Goodwill and other indefinite lived intangible assets.*** Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in each business combination. In accordance with ASC 350-20-35, *Goodwill - Subsequent Measurement*, the Company tests goodwill and intangible assets with an indefinite life for potential impairment annually as of June 30 and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

The Company's impairment evaluation of goodwill is based on comparing the fair value of the Company's reporting units to their carrying value. The fair value of the reporting units was determined based on the income approach and then compared to the results of the market approach for reasonableness. The income approach establishes fair value based on estimated future cash flows of each reporting unit, discounted by an estimated weighted-average cost of capital developed using the capital asset pricing model, which reflects the overall level of inherent risk of a reporting unit. The income approach uses the Company's projections of financial performance for a five-year period and includes assumptions about future revenue growth rates, operating margins and terminal growth rates, which vary among reporting units. The market approach establishes fair value by applying cash flow multiples to the reporting unit's operating performance. The multiples are derived from other publicly traded companies that are similar but not identical from an operational and economic standpoint.

As of June 30, 2011, the annual assessment date, the Company's reporting units had combined fair values that exceeded carrying value by 115.9%. The retail services segment and the e-commerce segment had fair values that exceeded carrying value by 69.8% and 810.4%, respectively. Based on the results of this test, no impairment of goodwill was observed. The Company also performed a sensitivity analysis on the Company's estimated fair value using the income approach. A key assumption in the Company's fair value estimate is the weighted average cost of capital utilized for discounting the Company's cash flow estimates in the Company's income approach. Holding all other assumptions constant at the annual assessment date, a 100 basis point increase in the discount rates would reduce the combined fair value for the Company's reporting units by \$238.9 million, which would exceed the carrying value by 88.0%.

The Company also evaluated its indefinite-lived intangible assets for impairment as of June 30, 2011 and noted no impairment.

The process of evaluating goodwill and other indefinite-lived intangible assets for impairment involves the determination of the fair value of the Company's reporting units. Inherent in such fair value determination are certain judgments and estimates relating to future cash flows, including the Company's interpretation of current economic indicators and market valuations, and assumptions about the Company's strategic plans with regard to the Company's operations. To the extent additional information arises, market conditions change or the Company's strategies change, it is possible that the Company's conclusions regarding whether existing goodwill is impaired could change and result in a material effect on the Company's consolidated financial position or results of operations.

**Table of Contents****RESULTS OF OPERATIONS****Highlights**

The Company's financial results for the three months ended September 30, 2011 (the current quarter) are summarized below.

Consolidated total revenue increased 21.5%, to \$387.9 million, for the current quarter compared to the three months ended September 30, 2010 (the prior year quarter), due to strong demand across all product categories.

Consolidated net revenue increased \$41.1 million, or 21.1%, to \$235.5 million for the current quarter, from \$194.4 million for the prior year quarter. Net revenue from pawn related activities, which is the sum of pawn loan fees and service charges and the net proceeds from the disposition of merchandise, increased 21.3%, or \$22.8 million, in the current quarter compared to the prior year quarter, primarily due to organic growth in domestic retail pawn operations and the acquisition of substantially all of the assets of Maxit on October 4, 2010, which owned and operated a 39-store chain of pawn lending locations that operate in Washington and Arizona (the Maxit acquisition). Consumer loan fees, net of consumer loan loss provision, increased 22.3%, or \$18.7 million, in the current quarter compared to the prior year quarter, primarily due to higher average consumer loan balances in the e-commerce segment from growth in foreign markets.

Net income increased 24.6%, to \$34.8 million, in the current quarter compared to the prior year quarter. Diluted net income per share increased \$0.18 per share, or 20.0%, to \$1.08 in the current quarter compared to \$0.90 in the prior year quarter.

**Overview**

**Consolidated Net Revenue:** Consolidated net revenue is composed of total revenue less cost of disposed merchandise and consumer loan loss provision. Net revenue is the income available to satisfy all remaining expenses and is the measure management uses to evaluate top-line performance.

The following tables show the components of net revenue for the three and nine months ended September 30, 2011 and 2010 by segment and on a consolidated basis (dollars in thousands):

|   | Three Months Ended September 30, 2011 |            |            |            |              |            |
|---|---------------------------------------|------------|------------|------------|--------------|------------|
|   | Retail Services                       |            | E-Commerce |            | Consolidated |            |
|   | Amount                                | % of Total | Amount     | % of Total | Amount       | % of Total |
| Pawn loan fees and service charges  | \$ 77,053                             | 48.8 %     | \$ -       | - %        | \$ 77,053    | 32.7 %     |
| Proceeds from disposition of merchandise, net of cost of disposed merchandise | 52,957                                | 33.6 %     | 1          | - %        | 52,958       | 22.5 %     |
| Pawn related  | \$ 130,010                            | 82.4 %     | \$ 1       | - %        | \$ 130,011   | 55.2 %     |
| Consumer loan fees, net of loan loss provision                                | \$ 25,164                             | 15.9 %     | \$ 77,241  | 99.6 %     | \$ 102,405   | 43.5 %     |
| Other revenue   | 2,695                                 | 1.7 %      | 343        | 0.4 %      | 3,038        | 1.3 %      |
| Net revenue   | \$ 157,869                            | 100.0 %    | \$ 77,585  | 100.0 %    | \$ 235,454   | 100.0 %    |

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|   | Three Months Ended September 30, 2010 |            |            |            |              |            |
|---|---------------------------------------|------------|------------|------------|--------------|------------|
|   | Retail Services                       |            | E-Commerce |            | Consolidated |            |
|   | Amount                                | % of Total | Amount     | % of Total | Amount       | % of Total |
| Pawn loan fees and service charges  | \$ 63,968                             | 47.5 %     | \$ -       | - %        | \$ 63,968    | 32.9 %     |
| Proceeds from disposition of merchandise, net of cost of disposed merchandise | 43,202                                | 32.1 %     | -          | - %        | 43,202       | 22.2 %     |
| Pawn related  | \$ 107,170                            | 79.6 %     | \$ -       | - %        | \$ 107,170   | 55.1 %     |
| Consumer loan fees, net of loan loss provision                                | \$ 24,284                             | 18.0 %     | \$ 59,449  | 99.5 %     | \$ 83,733    | 43.1 %     |
| Other revenue   | 3,249                                 | 2.4 %      | 276        | 0.5 %      | 3,525        | 1.8 %      |
| Net revenue   | \$ 134,703                            | 100.0 %    | \$ 59,725  | 100.0 %    | \$ 194,428   | 100.0 %    |

|   | Nine Months Ended September 30, 2011 |            |            |            |              |            |
|---|--------------------------------------|------------|------------|------------|--------------|------------|
|   | Retail Services                      |            | E-Commerce |            | Consolidated |            |
|   | Amount                               | % of Total | Amount     | % of Total | Amount       | % of Total |
| Pawn loan fees and service charges  | \$ 212,290                           | 46.4 %     | \$ -       | - %        | \$ 212,290   | 32.1 %     |
| Proceeds from disposition of merchandise, net of cost of disposed merchandise | 165,053                              | 36.1 %     | 7          | - %        | 165,060      | 25.0 %     |
| Pawn related  | \$ 377,343                           | 82.5 %     | \$ 7       | - %        | \$ 377,350   | 57.1 %     |
| Consumer loan fees, net of loan loss provision                                | \$ 70,380                            | 15.4 %     | \$ 202,937 | 99.4 %     | \$ 273,317   | 41.3 %     |
| Other revenue   | 9,540                                | 2.1 %      | 1,223      | 0.6 %      | 10,763       | 1.6 %      |
| Net revenue   | \$ 457,263                           | 100.0 %    | \$ 204,167 | 100.0 %    | \$ 661,430   | 100.0 %    |

|   | Nine Months Ended September 30, 2010 |            |            |            |              |            |
|---|--------------------------------------|------------|------------|------------|--------------|------------|
|   | Retail Services                      |            | E-Commerce |            | Consolidated |            |
|   | Amount                               | % of Total | Amount     | % of Total | Amount       | % of Total |
| Pawn loan fees and service charges  | \$ 181,756                           | 45.3 %     | \$ -       | - %        | \$ 181,756   | 32.4 %     |
| Proceeds from disposition of merchandise, net of cost of disposed merchandise | 138,573                              | 34.6 %     | -          | - %        | 138,573      | 24.8 %     |
| Pawn related  | \$ 320,329                           | 79.9 %     | \$ -       | - %        | \$ 320,329   | 57.2 %     |
| Consumer loan fees, net of loan loss provision                                | \$ 70,605                            | 17.6 %     | \$ 158,608 | 99.5 %     | \$ 229,213   | 40.9 %     |
| Other revenue   | 10,046                               | 2.5 %      | 794        | 0.5 %      | 10,840       | 1.9 %      |
| Net revenue   | \$ 400,980                           | 100.0 %    | \$ 159,402 | 100.0 %    | \$ 560,382   | 100.0 %    |

For the current quarter, net revenue increased \$41.1 million, or 21.1%, to \$235.5 million, from \$194.4 million for the prior year quarter. Pawn lending activities accounted for 55.2% and 55.1% of total net revenue for the current quarter and prior year quarter, respectively. Net revenue from pawn lending activities increased \$22.8 million, to \$130.0 million during the current quarter from \$107.2 million in the prior year quarter, which accounted for 55.7% of the overall increase in net revenue. The increase in pawn-related contribution was primarily due to an increase in pawn loan fees and service charges that resulted from higher average pawn loan balances as a result of organic growth in domestic retail operations, the Maxit acquisition and higher sales from the disposition of merchandise. Net revenue from consumer loan activities increased \$18.7 million, to \$102.4 million during the current quarter, from \$83.7 million in the prior year quarter, which accounted for 45.5% of the overall increase in net revenue, mainly due to increases in loans written in both domestic and foreign markets and a lower loss provision as a percentage of consumer loan fees primarily due to modifications in the Company's underwriting models that have contributed to lower default rates and improvements in the collectability and loan performance quality of the overall portfolio. This increase in net revenue from consumer loans activity was large enough to offset a decrease in revenue from certain domestic markets in which the consumer loan product is no longer offered due to changes in laws and the absence of



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fees in the current quarter from the Company's MLOC business, which ceased operations in the fourth quarter of 2010.

For the nine-month period ended September 30, 2011 (the current nine-month period), net revenue increased \$101.0 million, or 18.0%, to \$661.4 million from \$560.4 million for the same period in 2010 (the prior year nine-month period). Net revenue from pawn lending activities accounted for 57.1% and 57.2% of total net revenue for the current nine-month period and the prior year nine-month period, respectively. Net revenue from pawn lending activities increased \$57.1 million, to \$377.4 million during the current nine-month period from \$320.3 million in the prior year nine-month period, which accounted for 56.4% of the increase in net revenue. The increase in the pawn-related contribution was primarily due to an increase in pawn loan fees and service charges that resulted from higher average pawn loan balances as a result of organic growth in domestic retail operations, the Maxit acquisition, higher sales and increased gross profit from the disposition of merchandise. Net revenue from consumer loan activities increased \$44.1 million, to \$273.3 million during the current nine-month period, from \$229.2 million in the prior year nine-month period, which accounted for 43.6% of the increase in net revenue, mainly due to an increase in loans written from the e-commerce segment in foreign markets in which the Company operates, and a lower loss provision as a percentage of consumer loan fees, primarily due to modifications in the Company's underwriting models that have contributed to lower default rates and improvements in the collectability and loan performance quality of the overall portfolio. This increase was large enough to offset a decrease in revenue from certain domestic markets in which the consumer loan product is no longer offered due to changes in laws and the absence of fees in the current nine-month period from the Company's MLOC business, which ceased operations in the fourth quarter of 2010.

## **Non-GAAP Disclosure**

In addition to the financial information prepared in conformity with Generally Accepted Accounting Principles in the United States of America (GAAP), the Company provides historical non-GAAP financial information. Management uses the non-GAAP financial measures for internal managerial purposes and believes that presentation of non-GAAP financial information is meaningful and useful in understanding the activities and business metrics of the Company's operations. Management believes that these non-GAAP financial measures reflect an additional way of viewing aspects of the Company's business that, when viewed with the Company's GAAP results, provide a more complete understanding of factors and trends affecting the Company's business.

Management provides non-GAAP financial information for informational purposes and to enhance understanding of the Company's GAAP consolidated financial statements. Readers should consider the non-GAAP information in addition to, but not instead of, the Company's financial statements prepared in accordance with GAAP. This non-GAAP financial information may be determined or calculated differently by other companies, limiting the usefulness of those measures for comparative purposes.

**Table of Contents****Adjusted Earnings Per Share**

In addition to reporting financial results in accordance with GAAP, the Company has provided adjusted earnings and adjusted earnings per share, which are non-GAAP measures. Management believes that the presentation of these measures provides investors with greater transparency and facilitates comparison of operating results across a broad spectrum of companies with varying capital structures, compensation strategies, derivative instruments and amortization methods, which provides a more complete understanding of the Company's financial performance, competitive position and prospects for the future. Management also believes that investors regularly rely on non-GAAP financial measures, such as adjusted earnings and adjusted earnings per share, to assess operating performance and that such measures may highlight trends in the Company's business that may not otherwise be apparent when relying on financial measures calculated in accordance with GAAP. The following table provides reconciliation between net income attributable to the Company and diluted earnings per share calculated in accordance with GAAP to adjusted earnings and adjusted earnings per share, respectively (dollars in thousands, except per share data):

|   | Three Months Ended<br>September 30, |         |              |         | Nine Months Ended<br>September 30, |         |              |         |
|---|-------------------------------------|---------|--------------|---------|------------------------------------|---------|--------------|---------|
|   | 2011                                |         | 2010         |         | 2011                               |         | 2010         |         |
|   | Per<br>Share                        |         | Per<br>Share |         | Per<br>Share                       |         | Per<br>Share |         |
|   | \$                                  |         | \$           |         | \$                                 |         | \$           |         |
| Net income attributable to Cash America International, Inc.                   | \$ 34,777                           | \$ 1.08 | \$ 27,908    | \$ 0.90 | \$ 98,136                          | \$ 3.07 | \$ 80,830    | \$ 2.56 |
| Adjustments:  |                                     |         |              |         |                                    |         |              |         |
| Intangible asset amortization, net of tax                                     | 939                                 | 0.03    | 643          | 0.02    | 3,024                              | 0.09    | 2,060        | 0.07    |
| Non-cash equity-based compensation, net of tax                                | 842                                 | 0.03    | 594          | 0.02    | 2,448                              | 0.08    | 1,774        | 0.06    |
| Convertible debt non-cash interest and issuance cost amortization, net of tax | 559                                 | 0.02    | 515          | 0.01    | 1,650                              | 0.05    | 1,543        | 0.04    |
| Foreign exchange loss (gain), net of tax                                      | 483                                 | 0.01    | (45)         | -       | 658                                | 0.02    | 62           | -       |
| Adjusted earnings   | \$ 37,600                           | \$ 1.17 | \$ 29,615    | \$ 0.95 | \$ 105,916                         | \$ 3.31 | \$ 86,269    | \$ 2.73 |



**Table of Contents****Adjusted EBITDA**

The table below shows adjusted EBITDA, a non-GAAP measure that the Company defines as earnings before depreciation, amortization, interest, foreign currency transaction gains or losses, equity in earnings or loss of unconsolidated subsidiary, taxes and net income or loss attributable to the noncontrolling interest. Management believes adjusted EBITDA is used by investors to analyze operating performance and evaluate the Company's ability to incur and service debt and its capacity for making capital expenditures. In addition, adjusted EBITDA is also useful to investors to help assess the Company's liquidity and estimated enterprise value. The computation of adjusted EBITDA as presented below may differ from the computation of similarly-titled measures provided by other companies (dollars in thousands):

|   | Trailing 12 Months Ended |              |
|---|--------------------------|--------------|
|   | September 30,            |              |
|   | 2011                     | 2010         |
| Net Income attributable to Cash America International Inc.    | \$ 132,841               | \$ 114,513   |
| Adjustments:  |                          |              |
| Depreciation and amortization expenses                        | 52,172                   | 41,991       |
| Interest expense, net   | 24,078                   | 21,403       |
| Foreign currency transaction loss                             | 1,421                    | 239          |
| Equity in loss of unconsolidated subsidiary                   | 145                      | 61           |
| Provision for income taxes                                    | 79,401                   | 68,193       |
| Net (loss) income attributable to the noncontrolling interest | (479)                    | 71           |
| Adjusted EBITDA   | \$ 289,579               | \$ 246,471   |
| Adjusted EBITDA margin calculated as follows:                 |                          |              |
| Total revenue   | \$ 1,446,181             | \$ 1,248,200 |
| Adjusted EBITDA   | 289,579                  | 246,471      |
| Adjusted EBITDA as a percentage of total revenue              | 20.0%                    | 19.7%        |

**Table of Contents****Quarter Ended September 30, 2011 Compared To Quarter Ended September 30, 2010****Pawn Lending Activities:**

Pawn lending activities consist of pawn loan fees and service charges on pawn loans from the retail services segment during the period and the profit on disposition of collateral from unredeemed pawn loans, as well as the sale of merchandise acquired from customers directly or from third parties. Routinely, the largest component of net revenue from pawn lending activities is the pawn loan fees and service charges from pawn loans, which are impacted by the trend in pawn loan balances and the yield on pawn loans during the period.

The following table sets forth selected data related to the Company's pawn lending activities as of and for the three months ended September 30, 2011 and 2010 (dollars in thousands except where otherwise noted):

| Three Months Ended September 30,                  | 2011       |                       |            | 2010       |                       |            |
|---|------------|-----------------------|------------|------------|-----------------------|------------|
|   | Domestic   | Foreign               | Total      | Domestic   | Foreign               | Total      |
| Pawn loan fees and service charges                | \$ 69,025  | \$ 8,028              | \$ 77,053  | \$ 56,638  | \$ 7,330              | \$ 63,968  |
| Average pawn loan balance outstanding             | \$ 218,607 | \$ 20,619             | \$ 239,226 | \$ 170,703 | \$ 21,013             | \$ 191,716 |
| Amount of pawn loans written and renewed          | \$ 240,062 | \$ 34,084             | \$ 274,146 | \$ 181,665 | \$ 20,418             | \$ 202,083 |
| Annualized yield on pawn loans                    | 125.3%     | 107.5% <sup>(a)</sup> | 123.1%     | 131.6%     | 105.2% <sup>(a)</sup> | 127.9%     |
| Gross profit margin on disposition of merchandise | 36.6%      | - <sup>(a)</sup>      | 36.6%      | 36.9%      | - <sup>(a)</sup>      | 36.9%      |
| Merchandise turnover                              | 2.6        | - <sup>(a)</sup>      | 2.6        | 2.6        | - <sup>(a)</sup>      | 2.6        |
| As of September 30,                               |            |                       |            |            |                       |            |
| Ending pawn loan balances                         | \$ 225,921 | \$ 18,520             | \$ 244,441 | \$ 175,880 | \$ 20,398             | \$ 196,278 |
| Ending merchandise balance, net                   | \$ 156,806 | \$ - <sup>(a)</sup>   | \$ 156,806 | \$ 120,244 | \$ - <sup>(a)</sup>   | \$ 120,244 |

<sup>(a)</sup> With respect to the Company's foreign pawn operations, the annualized yield on pawn loans is calculated using the average pawn loan balance outstanding in the table above, plus the average value of the collateral underlying unredeemed pawn loans of \$9,002 and \$6,618 for the three months ended September 30, 2011 and 2010, respectively. Collateral underlying unredeemed pawn loans will be sold to settle the obligations owed by the customer but are not owned by the Company; therefore, profit on the disposition of this collateral is recorded as pawn loan fees and service charges in the Company's consolidated statements of operations.

**Pawn loan fees and service charges.** Pawn loan balances in domestic and foreign locations at September 30, 2011 were \$244.4 million, which was \$48.2 million, or 24.5%, higher than at September 30, 2010. The average balance of pawn loans outstanding during the current quarter increased by \$47.5 million, or 24.8%, compared to the prior year quarter, primarily due to organic growth in domestic retail operations and additional pawn loan balances resulting from the Maxit acquisition that occurred in the fourth quarter of 2010. In addition, higher average gold prices have contributed to the growth in pawn loan balances, as increased collateral values have supported customer demand resulting in a higher average loan amount.

Domestic pawn loan fees and service charges from pawn loans increased \$12.4 million, or 21.9%, to \$69.0 million in the current quarter, from \$56.6 million in the prior year quarter. The increase is mainly due to higher average pawn loan balances during the current quarter, which contributed \$16.0 million of the increase, partially offset by lower annualized yield on pawn loans, which decreased pawn loan fees and service charges by \$3.6 million during the current quarter. The lower pawn loan yield in the domestic portfolio is mainly due to a higher concentration of pawn loans in states with lower statutory loan yields, primarily related to the acquisition of the Maxit stores and the growth in that portfolio since the Maxit acquisition in the fourth quarter of 2010. Management expects this trend will be more comparable after the fourth quarter of 2011.



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Foreign pawn loan fees and service charges from pawn loans increased \$0.7 million, or 9.5%, to \$8.0 million in the current quarter, from \$7.3 million in the prior year quarter. The increase is mainly due to lower average pawn loan balances during the current quarter, which decreased pawn loan fees and service charges by \$0.1 million, and higher annualized yield on pawn loan fees and service charges, which increased by \$0.8 million during the current quarter.

Annualized pawn loan yield was 123.1% in the current quarter, compared to 127.9% in the prior year quarter. The decrease in pawn loan yield is mostly due to a change in mix of pawn loans by market. In the current quarter, the lower pawn loan yield is primarily due to the lower pawn yield in the domestic portfolio.

**Proceeds from disposition of merchandise.** Profit from the disposition of merchandise represents the proceeds received from the disposition of merchandise in excess of the cost of disposed merchandise. Retail sales include the sale of jewelry and general merchandise direct to consumers through the Company's retail services locations or over the Internet. Commercial sales include the sale of refined gold, platinum and diamonds to brokers or manufacturers. The following table summarizes the proceeds from the disposition of merchandise and the related profit for the current quarter and the prior year quarter (dollars in thousands):

|                                  | Three Months Ended September 30, |            |            |           |            |            |
|----------------------------------|----------------------------------|------------|------------|-----------|------------|------------|
|                                  | 2011                             |            |            | 2010      |            |            |
|                                  | Retail                           | Commercial | Total      | Retail    | Commercial | Total      |
| Proceeds from disposition        | \$ 76,101                        | \$ 68,720  | \$ 144,821 | \$ 64,578 | \$ 52,420  | \$ 116,998 |
| Gross profit on disposition      | \$ 29,936                        | \$ 23,022  | \$ 52,958  | \$ 26,203 | \$ 16,999  | \$ 43,202  |
| Gross profit margin              | 39.3 %                           | 33.5 %     | 36.6 %     | 40.6 %    | 32.4 %     | 36.9 %     |
| Percentage of total gross profit | 56.5 %                           | 43.5 %     | 100.0 %    | 60.7 %    | 39.3 %     | 100.0 %    |

The total proceeds from disposition of merchandise increased \$27.8 million, or 23.8%, in the current quarter compared to the prior year quarter, and the total profit from the disposition of merchandise increased \$9.8 million, or 22.6%, during the current quarter compared to the prior year quarter. The overall profit margin percentage decreased to 36.6% in the current quarter from 36.9% in the prior year quarter, mainly due to a lower profit margin on retail sales. The consolidated merchandise turnover rate remained flat at 2.6 times during the current quarter and the prior year quarter.

Proceeds from retail dispositions of merchandise increased \$11.5 million, or 17.8%, during the current quarter compared to the prior year quarter, primarily due to organic growth in the Company's domestic retail operations and the Maxit acquisition. However, the profit margin on the retail disposition of merchandise decreased to 39.3% in the current quarter from 40.6% in the prior year quarter. The decrease in profit margin was primarily related to an increase in the average cost of jewelry items sold through retail services locations due to an increase in advance amounts on loans related to the higher average market price for gold.

Proceeds from commercial dispositions increased \$16.3 million, or 31.1%, during the current quarter compared to the prior year quarter. Gross profit from commercial dispositions increased \$6.0 million, due to an increase in gross profit from refined gold, partially offset by a decrease in gross profit from diamonds. The profit margin on commercial sales increased to 33.5% in the current quarter from 32.4% in the prior year quarter. These increases were primarily due to an increase in the average market prices for gold and diamonds, as the volume of refined gold sold remained relatively flat, and partially offset by a decrease in gross profit and profit margin from diamonds.

Management expects that total gross profit margin in future periods will continue to be heavily influenced by the gross profit margin on commercial dispositions. Management expects the profit margin on retail dispositions, excluding commercial activities, to be similar to or slightly lower than current levels as merchandise available for disposition has increased over the prior year, which can result in more competitive selling practices.

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Total merchandise held for disposition increased during the current quarter, compared to the prior year quarter, primarily due to organic growth in the retail services segment as well as the Maxit acquisition. The table below summarizes the age of merchandise held for disposition related to the Company's domestic pawn operations before valuation allowance of \$0.7 million as of both September 30, 2011 and 2010 (dollars in thousands).

| Balance at September 30,                        | 2011       |       | 2010       |       |
|---|------------|-------|------------|-------|
|   | Amount     | %     | Amount     | %     |
| Jewelry - held for one year or less             | \$ 99,383  | 63.1  | \$ 77,729  | 64.3  |
| Other merchandise - held for one year or less   | 52,687     | 33.4  | 37,215     | 30.7  |
| Total merchandise held for one year or less     | 152,070    | 96.5  | 114,944    | 95.0  |
| Jewelry - held for more than one year           | 2,091      | 1.3   | 3,033      | 2.5   |
| Other merchandise - held for more than one year | 3,345      | 2.2   | 2,967      | 2.5   |
| Total merchandise held for more than one year   | 5,436      | 3.5   | 6,000      | 5.0   |
| Total merchandise held for disposition          | \$ 157,506 | 100.0 | \$ 120,944 | 100.0 |

**Consumer Loan Activities:**

**Consumer loan fees.** Consumer loan fees increased \$28.1 million, or 20.8%, to \$163.0 million in the current quarter compared to \$134.9 million in the prior year quarter. The increase in consumer loan fees is primarily due to growth in the e-commerce segment from lending in the foreign markets in which the Company operates, which was offset by a decrease in revenue from domestic markets in which consumer loans are no longer offered due to changes in laws and the absence of fees in the current quarter from the Company's MLOC business, which ceased operations in the fourth quarter of 2010.

**Consumer loan loss provision.** The consumer loan loss provision increased by \$9.5 million, to \$60.6 million in the current quarter, from \$51.1 million in the prior year quarter. The loss provision as a percentage of consumer loan fees decreased to 37.2% in the current quarter, from 37.9% in the prior year quarter, primarily due to modifications in the Company's underwriting models that have contributed to lower default rates and improvements in the collectability and loan performance quality of the overall portfolio in both the domestic and foreign portfolios, partially offset by higher loan balances in foreign e-commerce markets, which generally have higher loss rates.

The following table sets forth consumer loan fees by segment adjusted for the deduction of the loan loss provision for the current quarter and the prior year quarter (dollars in thousands):

|   | Three Months Ended September 30, |            |            |                 |            |            |
|---|----------------------------------|------------|------------|-----------------|------------|------------|
|   | 2011                             |            |            | 2010            |            |            |
|   | Retail Services                  | E-Commerce | Total      | Retail Services | E-Commerce | Total      |
| Short-term loans  | \$ 29,741                        | \$ 117,084 | \$ 146,825 | \$ 29,129       | \$ 92,533  | \$ 121,662 |
| Installment loans   | 2,936                            | 13,220     | 16,156     | 121             | 2,965      | 3,086      |
| MLOC  | -                                | -          | -          | -               | 10,121     | 10,121     |
| Consumer loan fees  | \$ 32,677                        | \$ 130,304 | \$ 162,981 | \$ 29,250       | \$ 105,619 | \$ 134,869 |
| Consumer loan loss provision                              | 7,513                            | 53,063     | 60,576     | 4,966           | 46,170     | 51,136     |
| Consumer loan fees, net of loan loss provision            | \$ 25,164                        | \$ 77,241  | \$ 102,405 | \$ 24,284       | \$ 59,449  | \$ 83,733  |
| Year-over-year change - \$                                | \$ 880                           | \$ 17,792  | \$ 18,672  | \$ (145)        | \$ 23,359  | \$ 23,214  |
| Year-over-year change - %                                 | 3.6%                             | 29.9%      | 22.3%      | 0.6%            | 64.7%      | 38.4%      |
| Consumer loan loss provision as a % of consumer loan fees | 23.0%                            | 40.7%      | 37.2%      | 17.0%           | 43.7%      | 37.9%      |

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***Combined consumer loans.*** In addition to reporting consumer loans owned by the Company and guaranteed by the Company, which are either GAAP items or disclosures required by GAAP, the Company has provided combined consumer loan balances, which are non-GAAP measures that include (i) Company-owned consumer loans, which are GAAP measures that consist of consumer loans written by the Company and, during 2010, the Company's participation interests in consumer loans written by third-party lender's MLOC product, and (ii) consumer loans guaranteed by the Company, which are GAAP measures that consist of consumer loans written by third-party lenders through the CSO program that the Company guarantees. In addition, the Company has provided disclosure regarding consumer loans written, which is statistical data that is not included in the Company's financial statements. Management believes these measures are useful to investors in evaluating the consumer loan portfolio on an aggregate basis, including its evaluation of the loss provision for the Company-owned portfolio and third-party lender-owned portfolios that the Company guarantees. The Company also provides allowances and liabilities for losses on consumer loans on a combined basis, which are GAAP measures.

***Consumer loan balances.*** The outstanding combined portfolio balance of consumer loans, net of allowances and liabilities for losses, increased \$65.3 million, or 37.3%, to \$240.4 million at September 30, 2011 from \$175.1 million at September 30, 2010, primarily due to increased demand for consumer loan products in both the retail services and e-commerce segments. The Company has experienced growth in consumer loan balances from the foreign e-commerce business in recent years and expects that foreign consumer loan balances will continue to comprise a greater percentage of the e-commerce segment's total consumer loan balances in the future.

The combined consumer loan balance includes \$239.0 million and \$175.1 million of Company-owned consumer loan balances at September 30, 2011 and 2010, respectively, before the allowance for losses of \$47.3 million and \$45.6 million, respectively, which has been provided in the consolidated financial statements as of September 30, 2011 and 2010, respectively. The combined loan balance also includes \$51.2 million and \$48.4 million of consumer loan balances which are guaranteed by the Company at September 30, 2011 and 2010, respectively, before the liability for losses of \$2.5 million and \$2.8 million, respectively, which has been provided in the consolidated financial statements for September 30, 2011 and 2010, respectively.

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The following table summarizes consumer loan balances outstanding as of September 30, 2011 and 2010 (dollars in thousands):

|   | As of September 30,             |  |                         |                                 |  |                         |
|---|---------------------------------|--|-------------------------|---------------------------------|--|-------------------------|
|   | Company<br>Owned <sup>(a)</sup> | 2011<br>Guaranteed<br>by the<br>Company <sup>(a)</sup> | Combined <sup>(b)</sup> | Company<br>Owned <sup>(a)</sup> | 2010<br>Guaranteed<br>by the<br>Company <sup>(a)</sup> | Combined <sup>(b)</sup> |
| <b>Ending consumer loan balances:</b>                     |                                 |  |                         |                                 |  |                         |
| <b><u>Retail Services</u></b>                             |                                 |  |                         |                                 |  |                         |
| Short-term loans  | \$ 48,891                       | \$ 8,644   | \$ 57,535               | \$ 45,700                       | \$ 9,401   | \$ 55,101               |
| Installment loans   | 8,484                           | 6,218  | 14,702                  | 1,174                           | 1,024  | 2,198                   |
| Total Retail Services, gross                              | 57,375                          | 14,862   | 72,237                  | 46,874                          | 10,425   | 57,299                  |
| <b><u>E-Commerce</u></b>                                  |                                 |  |                         |                                 |  |                         |
| <i>Domestic</i>   |                                 |  |                         |                                 |  |                         |
| Short-term loans  | 51,829                          | 33,514   | 85,343                  | 52,707                          | 36,673   | 89,380                  |
| Installment loans   | 19,856                          | -  | 19,856                  | 5,856                           | -  | 5,856                   |
| MLOC  | -                               | -  | -                       | 21,196                          | -  | 21,196                  |
| Total Domestic, gross                                     | 71,685                          | 33,514   | 105,199                 | 79,759                          | 36,673   | 116,432                 |
| <i>Foreign</i>  |                                 |  |                         |                                 |  |                         |
| Short-term loans  | 86,987                          | 2,842  | 89,829                  | 48,313                          | 1,318  | 49,631                  |
| Installment loans   | 22,930                          | -  | 22,930                  | 120                             | -  | 120                     |
| Total Foreign, gross                                      | 109,917                         | 2,842  | 112,759                 | 48,433                          | 1,318  | 49,751                  |
| Total E-Commerce, gross                                   | 181,602                         | 36,356   | 217,958                 | 128,192                         | 37,991   | 166,183                 |
| Total ending loan balance, gross                          | 238,977                         | 51,218   | 290,195                 | 175,066                         | 48,416   | 223,482                 |
| Less: Allowance and liabilities for losses <sup>(a)</sup> | (47,335)                        | (2,487)  | (49,822)                | (45,586)                        | (2,790)  | (48,376)                |
| Total ending loan balance, net                            | \$ 191,642                      | \$ 48,731  | \$ 240,373              | \$ 129,480                      | \$ 45,626  | \$ 175,106              |

<sup>(a)</sup> GAAP measure. The consumer loan balances guaranteed by the Company are not recorded in the Company's financial statements.

<sup>(b)</sup> Except for allowance and liability for losses, amounts represent non-GAAP measures.

*Consumer loans written.* The amount of combined consumer loans written was \$818.0 million in the current quarter, which is a decrease of \$4.6 million, or 0.6%, from \$822.6 million in the prior year quarter, mainly due to the absence of consumer loans written in the MLOC services channel and decreased loans written in domestic markets in which consumer loans are no longer offered due to changes in laws, partially offset by continued growth in consumer loans written from the e-commerce segment in foreign markets and an increase in multi-payment longer-term installment loans.

The average amount per consumer loan increased to \$514 from \$417 during the current quarter compared to the prior year quarter, due largely to the absence of loans purchased through the MLOC channel in the current quarter, which generally have a lower average loan amount per loan, and an increase in multi-payment longer-term installment loans, which typically have a larger average loan amount than single-payment short-term loans. Management expects the average amount per consumer loan to increase for the remainder of 2011 due to the increase in installment lending.

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The following table summarizes the consumer loans written for the current year quarter and the prior year quarter (dollars in thousands):

|  | Three Months Ended September 30, |  |                         |                                 |  |                         |
|--|----------------------------------|--|-------------------------|---------------------------------|--|-------------------------|
|  | Company<br>Owned <sup>(a)</sup>  | 2011<br>Guaranteed<br>by the<br>Company <sup>(a)</sup> | Combined <sup>(b)</sup> | Company<br>Owned <sup>(a)</sup> | 2010<br>Guaranteed<br>by the<br>Company <sup>(a)</sup> | Combined <sup>(b)</sup> |
| <b>Amount of consumer loans written:</b> |                                  |  |                         |                                 |  |                         |
| <b><u>Retail Services</u></b>            |                                  |  |                         |                                 |  |                         |
| Short-term loans                         | \$ 196,771                       | \$ 45,915  | \$ 242,686              | \$ 181,384                      | \$ 51,871  | \$ 233,255              |
| Installment loans                        | 1,601                            | 5,126  | 6,727                   | 267                             | 1,576  | 1,843                   |
| Total Retail Services                    | 198,372                          | 51,041   | 249,413                 | 181,651                         | 53,447   | 235,098                 |
| <b><u>E-Commerce</u></b>                 |                                  |  |                         |                                 |  |                         |
| <i>Domestic</i>                          |                                  |  |                         |                                 |  |                         |
| Short-term loans                         | 109,909                          | 180,890  | 290,799                 | 118,646                         | 229,212  | 347,858                 |
| Installment loans                        | 15,223                           | -  | 15,223                  | 5,994                           | -  | 5,994                   |
| MLOC                                     | -                                | -  | -                       | 107,345                         | -  | 107,345                 |
| Total Domestic                           | 125,132                          | 180,890  | 306,022                 | 231,985                         | 229,212  | 461,197                 |
| <i>Foreign</i>                           |                                  |  |                         |                                 |  |                         |
| Short-term loans                         | 231,310                          | 15,410   | 246,720                 | 119,543                         | 6,608  | 126,151                 |
| Installment loans                        | 15,844                           | -  | 15,844                  | 119                             | -  | 119                     |
| Total Foreign                            | 247,154                          | 15,410   | 262,564                 | 119,662                         | 6,608  | 126,270                 |
| Total E-Commerce                         | 372,286                          | 196,300  | 568,586                 | 351,647                         | 235,820  | 587,467                 |
| Total amount of consumer loans written   | \$ 570,658                       | \$ 247,341   | \$ 817,999              | \$ 533,298                      | \$ 289,267   | \$ 822,565              |
| <b>Number of consumer loans written:</b> |                                  |  |                         |                                 |  |                         |
| <b><u>Retail Services</u></b>            |                                  |  |                         |                                 |  |                         |
| Short-term loans                         | 423,380                          | 81,771   | 505,151                 | 417,507                         | 89,742   | 507,249                 |
| Installment loans                        | 1,554                            | 977  | 2,531                   | 759                             | 293  | 1,052                   |
| Total Retail Services                    | 424,934                          | 82,748   | 507,682                 | 418,266                         | 90,035   | 508,301                 |
| <b><u>E-Commerce</u></b>                 |                                  |  |                         |                                 |  |                         |
| <i>Domestic</i>                          |                                  |  |                         |                                 |  |                         |
| Short-term loans                         | 342,634                          | 258,705  | 601,339                 | 336,578                         | 337,272  | 673,850                 |
| Installment loans                        | 11,799                           | -  | 11,799                  | 9,213                           | -  | 9,213                   |
| MLOC                                     | -                                | -  | -                       | 530,400                         | -  | 530,400                 |
| Total Domestic                           | 354,433                          | 258,705  | 613,138                 | 876,191                         | 337,272  | 1,213,463               |
| <i>Foreign</i>                           |                                  |  |                         |                                 |  |                         |
| Short-term loans                         | 433,216                          | 22,251   | 455,467                 | 238,190                         | 13,809   | 251,999                 |
| Installment loans                        | 13,967                           | -  | 13,967                  | 133                             | -  | 133                     |



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|  |                  |                |                  |           |         |           |
|--|------------------|----------------|------------------|-----------|---------|-----------|
| Total Foreign                          | <b>447,183</b>   | <b>22,251</b>  | <b>469,434</b>   | 238,323   | 13,809  | 252,132   |
| Total E-Commerce                       | <b>801,616</b>   | <b>280,956</b> | <b>1,082,572</b> | 1,114,514 | 351,081 | 1,465,595 |
| Total number of consumer loans written | <b>1,226,550</b> | <b>363,704</b> | <b>1,590,254</b> | 1,532,780 | 441,116 | 1,973,896 |

(a) GAAP measure.

(b) Non-GAAP measure.

*Consumer loan loss experience.* The Company maintains an allowance for losses on consumer loans at a level projected to be adequate to absorb credit losses inherent in the outstanding consumer loan portfolio, as well as a liability for expected losses related to loans guaranteed under the CSO program. The allowance and the liability are

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based on historical trends in portfolio performance and the status of the balance owed by the customer. The Company generally charges off all consumer loans, including accrued interest, once they have been in default for 60 consecutive days, or sooner if deemed uncollectible. Generally, interest does not continue to accrue on consumer loans in default. Recoveries on losses previously charged to the allowance are credited to the allowance when collected.

The combined allowance and liability for losses as a percentage of combined consumer loans and fees receivable balance decreased for the current quarter, to 17.2%, from 21.6% in the prior year quarter, predominately due to modifications in the Company's underwriting models that have contributed to lower default rates and improvements in the collectability and loan performance quality of the overall portfolio, as discussed in the Consumer loan loss provision section above.

The following table shows consumer loan information for each of the last five quarters (dollars in thousands):

|  | 2010             |                   |                  | 2011              |                  |
|--|------------------|-------------------|------------------|-------------------|------------------|
|  | Third<br>Quarter | Fourth<br>Quarter | First<br>Quarter | Second<br>Quarter | Third<br>Quarter |
| <b>Consumer loan balances and fees receivable:</b>   |                  |                   |                  |                   |                  |
| Gross - Company owned  | \$ 175,066       | \$ 178,330        | \$ 161,145       | \$ 197,582        | \$ 238,977       |
| Gross - Guaranteed by the Company  | 48,416           | 52,568            | 38,750           | 47,259            | 51,218           |
| Combined consumer loans and fees receivable,<br>gross <sup>(a)</sup>   | \$ 223,482       | \$ 230,898        | \$ 199,895       | \$ 244,841        | \$ 290,195       |
| Allowance and liability for losses on consumer loans   | 48,376           | 41,791            | 36,721           | 39,348            | 49,822           |
| Combined consumer loans and fees receivable, net <sup>(a)</sup>  | \$ 175,106       | \$ 189,107        | \$ 163,174       | \$ 205,493        | \$ 240,373       |
| Allowance and liability for losses and accrued third-party<br>lender losses as a % of combined consumer loans and<br>fees receivable, gross <sup>(a)</sup> | 21.6%            | 18.1%             | 18.4%            | 16.1%             | 17.2%            |

<sup>(a)</sup> Non-GAAP measure.

The following table summarizes the consumer loan loss provision for the current quarter and the prior year quarter (dollars in thousands):

|  | Three Months Ended<br>September 30, |           |
|--|-------------------------------------|-----------|
|  | 2011                                | 2010      |
| <b>Consumer loan loss provision:</b>                       |                                     |           |
| Loss provision on Company owned consumer loans             | \$ 60,226                           | \$ 51,671 |
| Loss provision on consumer loans guaranteed by the Company | 350                                 | (535)     |
| Combined consumer loan loss provision                      | \$ 60,576                           | \$ 51,136 |
| Charge-offs, net of recoveries                             | \$ 50,102                           | \$ 42,808 |

Due to the short-term nature of the consumer loan product and the high velocity of loans written, seasonal trends are evidenced in quarter-to-quarter performance. In the typical business cycle, the combined consumer loan loss provision as a percent of combined consumer loans written is lowest in the first quarter and increases throughout the year, with the final two quarters generally combining for the peak levels of loss provision expense. The loss provision as a percentage of combined loans written increased to 7.4% in the current quarter, compared to 6.2% in the prior year quarter, due to growth in loans written in foreign e-commerce markets, which generally have higher loss rates and the growth of the installment loan products. The fourth quarter 2010 consumer loan loss provision as a percent of combined consumer loans written was extraordinarily high due to the additional loan losses associated with

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the sudden interruption of the MLOC loan portfolio; however, this ratio has returned to a typical seasonal trend for the first three quarters of 2011.

The following table shows the Company's loss experience for each of the last five quarters (dollars in thousands):

|   | 2010             |                   |                  | 2011              |                  |
|---|------------------|-------------------|------------------|-------------------|------------------|
|   | Third<br>Quarter | Fourth<br>Quarter | First<br>Quarter | Second<br>Quarter | Third<br>Quarter |
| <b>Consumer loans written:</b>  |                  |                   |                  |                   |                  |
| Company owned   | \$ 533,298       | \$ 486,106        | \$ 429,810       | \$ 489,334        | \$ 570,658       |
| Guaranteed by the Company   | 289,267          | 249,709           | 208,963          | 214,218           | 247,341          |
| Combined consumer loans written <sup>(a)</sup>  | \$ 822,565       | \$ 735,815        | \$ 638,773       | \$ 703,552        | \$ 817,999       |
| Combined consumer loan loss provision as a % of<br>combined consumer loans written <sup>(a)</sup> | 6.2%             | 7.1%              | 6.2%             | 6.4%              | 7.4%             |
| Charge-offs (net of recoveries) as a % of combined<br>consumer loans written <sup>(a)</sup>       | 5.2%             | 8.0%              | 7.0%             | 6.0%              | 6.1%             |
| Combined consumer loan loss provision as a % of<br>consumer loan fees                             | 37.9%            | 39.8%             | 32.1%            | 34.1%             | 37.2%            |

<sup>(a)</sup> Non-GAAP measure.

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**Total Expenses:** Total expenses increased \$28.2 million, or 19.6%, to \$172.3 million in the current quarter, compared to \$144.1 million in the prior year quarter. Total expenses for the retail services segment increased \$17.7 million, or 17.8%, to \$116.9 million during the current quarter compared to the prior year quarter. Total expenses for the e-commerce segment increased \$10.5 million, or 23.5%, to \$55.4 million in the current quarter compared to the prior year quarter.

The table below shows total expenses by segment and significant category for the current quarter and the prior year quarter (dollars in thousands):

|                                      | Three Months Ended September 30, |                  |                   |                  |                  |                   |
|--------------------------------------|----------------------------------|------------------|-------------------|------------------|------------------|-------------------|
|                                      | 2011                             |                  |                   | 2010             |                  |                   |
|                                      | Retail                           |                  |                   | Retail           |                  |                   |
|                                      | Services                         | E-Commerce       | Total             | Services         | E-Commerce       | Total             |
| <b>Operations:</b>                   |                                  |                  |                   |                  |                  |                   |
| Personnel                            | \$ 52,330                        | \$ 9,137         | \$ 61,467         | \$ 44,711        | \$ 7,879         | \$ 52,590         |
| Occupancy                            | 23,514                           | 579              | 24,093            | 21,450           | 738              | 22,188            |
| Marketing                            | 2,495                            | 20,250           | 22,745            | 3,478            | 16,498           | 19,976            |
| Other                                | 11,643                           | 4,574            | 16,217            | 7,954            | 3,101            | 11,055            |
| Total operations                     | 89,982                           | 34,540           | 124,522           | 77,593           | 28,216           | 105,809           |
| <b>Administration:</b>               |                                  |                  |                   |                  |                  |                   |
| Personnel                            | 13,307                           | 8,132            | 21,439            | 12,287           | 7,782            | 20,069            |
| Other                                | 1,646                            | 9,832            | 11,478            | 1,034            | 6,735            | 7,769             |
| Total administration                 | 14,953                           | 17,964           | 32,917            | 13,321           | 14,517           | 27,838            |
| <b>Depreciation and amortization</b> | <b>11,998</b>                    | <b>2,852</b>     | <b>14,850</b>     | <b>8,348</b>     | <b>2,074</b>     | <b>10,422</b>     |
| <b>Total expenses</b>                | <b>\$ 116,933</b>                | <b>\$ 55,356</b> | <b>\$ 172,289</b> | <b>\$ 99,262</b> | <b>\$ 44,807</b> | <b>\$ 144,069</b> |
| <b>Year-over-year change - \$</b>    |                                  |                  |                   |                  |                  |                   |
| Operations                           | \$ 12,389                        | \$ 6,324         | \$ 18,713         | \$ 5,629         | \$ 10,812        | \$ 16,441         |
| Administration                       | 1,632                            | 3,447            | 5,079             | 755              | 5,111            | 5,866             |
| Depreciation and amortization        | 3,650                            | 778              | 4,428             | 30               | 173              | 203               |
| Total                                | \$ 17,671                        | \$ 10,549        | \$ 28,220         | \$ 6,414         | \$ 16,096        | \$ 22,510         |
| <b>Year-over-year change - %</b>     | <b>17.8%</b>                     | <b>23.5%</b>     | <b>19.6%</b>      | <b>6.9%</b>      | <b>56.1%</b>     | <b>18.5%</b>      |

**Operations expense.** Operations expense for the retail services segment increased \$12.4 million, or 16.0%, to \$90.0 million during the current quarter compared to the prior year quarter. Personnel expense increased \$7.6 million during the current quarter, which was related to the newly acquired Maxit locations and to normal personnel additions, merit increases and incentive program accruals. Occupancy expense increased \$2.1 million during the current quarter, which related to the newly acquired Maxit locations and to normal rent increases. The increase in other operating expenses was primarily due to increases in maintenance, selling, travel and office expenses, due in part to the Maxit acquisition and other general expense increases.

Operations expense for the e-commerce segment increased \$6.3 million, or 22.4%, to \$34.5 million during the current quarter compared to the prior year quarter. Personnel expense increased \$1.3 million, primarily due to the addition of new personnel to support the e-commerce segment growth in foreign markets. The increase in marketing expense was mainly due to the online lending channel's efforts to expand the Company's customer base in both domestic and foreign markets.

**Administration Expense.** Administration expense for the retail services segment increased \$1.6 million, or 12.3%, to \$15.0 million during the current quarter compared to the prior year quarter. The increase was primarily due to increased personnel expense, including salaries, short-term management bonuses, and employee benefit costs.



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Administration expense for the e-commerce segment increased \$3.4 million, or 23.7%, to \$18.0 million in the current quarter compared to the prior year quarter. The increase was primarily due to increased salaries, wages and product development costs at the Company's e-commerce segment to support the segment's continued growth, as well as costs associated with filing Enova's Form S-1 registration statement. See "Recent Developments" section above for further discussion.

*Depreciation and Amortization.* Depreciation and amortization expense at the retail services segment increased \$3.7 million, or 43.7%, to \$12.0 million, mainly due to the Maxit acquisition and normal facility upgrades and remodels. Also contributing to the increase was \$1.2 million of additional depreciation expense associated with the Company's new proprietary domestic point-of-sale system, which began being placed in service in July 2011.

Depreciation and amortization expenses at the e-commerce segment increased \$0.8 million, or 37.5%, to \$2.9 million primarily related to systems development in support of new products, as well as normal system upgrades.

*Interest Expense:* Interest expense increased \$1.3 million, or 21.6%, to \$6.9 million in the current quarter as compared to \$5.6 million in the prior year quarter. The Company's effective blended borrowing cost increased to 4.8% in the current quarter from 4.7% in the prior year quarter, mainly due to the Company's increased concentration of borrowings under its variable rate line of credit, which had a higher average interest rate and higher average debt balance in the current quarter compared to prior year quarter. During the current quarter, the average amount of debt outstanding increased \$66.1 million, to \$489.6 million from \$423.5 million during the prior year quarter, primarily due to the Maxit acquisition during the fourth quarter of 2010 as well as increased funding of pawn loans and consumer loans. In general, acquisitions and working capital needs are predominantly funded by borrowings under the Company's line of credit. The Company incurred non-cash interest expense of \$0.9 million in the current quarter from its Convertible Notes due 2029 (the "2009 Convertible Notes").

*Foreign Currency Transaction Gain/Loss:* The Company is impacted by foreign currency transactions due to certain of its subsidiaries conducting business in currencies other than the U.S. dollar. In the current quarter, the Company recorded a foreign currency transaction loss of approximately \$0.8 million related to its operations in foreign countries, compared to a \$0.1 million gain in the prior year quarter, primarily because the U.S. dollar has strengthened against both the Mexican Peso and the British Pound.

Table of Contents**Nine Months Ended September 30, 2011 Compared To Nine Months Ended September 30, 2010****Pawn Lending Activities:**

The following table sets forth selected data related to the Company's pawn lending activities as of and for the nine-month periods ended September 30, 2011 and 2010 (dollars in thousands except where otherwise noted):

| Nine Months Ended September 30,                   | 2011       |                       |            | 2010       |                       |            |
|---|------------|-----------------------|------------|------------|-----------------------|------------|
|   | Domestic   | Foreign               | Total      | Domestic   | Foreign               | Total      |
| Pawn loan fees and service charges                | \$ 190,409 | \$ 21,881             | \$ 212,290 | \$ 158,580 | \$ 23,176             | \$ 181,756 |
| Average pawn loan balance outstanding             | \$ 197,316 | \$ 21,645             | \$ 218,961 | \$ 157,343 | \$ 22,286             | \$ 179,629 |
| Amount of pawn loans written and renewed          | \$ 641,260 | \$ 80,483             | \$ 721,743 | \$ 491,602 | \$ 66,398             | \$ 558,000 |
| Annualized yield on pawn loans                    | 129.0%     | 101.5% <sup>(a)</sup> | 114.6%     | 134.8%     | 112.8% <sup>(a)</sup> | 117.3%     |
| Gross profit margin on disposition of merchandise | 37.9%      | - <sup>(a)</sup>      | 37.9%      | 37.2%      | - <sup>(a)</sup>      | 37.2%      |
| Merchandise turnover                              | 2.8        | - <sup>(a)</sup>      | 2.8        | 2.9        | - <sup>(a)</sup>      | 2.9        |
| <u>As of September 30,</u>                        |            |                       |            |            |                       |            |
| Ending pawn loan balances                         | \$ 225,921 | \$ 18,520             | \$ 244,441 | \$ 175,880 | \$ 20,398             | \$ 196,278 |
| Ending merchandise balance, net                   | \$ 156,806 | \$ - <sup>(a)</sup>   | \$ 156,806 | \$ 120,244 | \$ - <sup>(a)</sup>   | \$ 120,244 |

<sup>(a)</sup> With respect to the Company's foreign pawn operations, the annualized yield on pawn loans is calculated using the average pawn loan balance outstanding in the table above, plus the average value of the collateral underlying unredeemed pawn loans of \$7,175 and \$5,180 for the nine months ended September 30, 2011 and 2010, respectively. Collateral underlying unredeemed pawn loans will be sold to settle the obligations owed by customers but are not owned by the Company; therefore, profit on the disposition of this collateral is recorded as pawn loan fees and service charges in the Company's consolidated statements of operations.

**Pawn loan fees and service charges.** The average balance of pawn loans outstanding for the current nine-month period increased by \$39.3 million, or 21.9%, compared to the prior year nine-month period, primarily due to organic growth in domestic retail operations and the additional pawn loan balances resulting from the Maxit acquisition that occurred in the fourth quarter of 2010. In addition, higher average gold prices have contributed to the growth in pawn loan balances as increased collateral values have supported customer demand, resulting in a higher average pawn loan amount.

Domestic pawn loan fees and service charges increased \$31.8 million, or 20.1%, to \$190.4 million in the current nine-month period from \$158.6 million in the prior year nine-month period. The increase is mainly due to higher average pawn loan balances during the current nine-month period, which contributed \$40.5 million of the increase, partially offset by lower annualized yield on pawn loans, which decreased pawn loan fees and service charges by \$8.7 million during the current nine-month period. The lower pawn loan yield in the domestic portfolio is due to a higher concentration of pawn loans in states with lower statutory loan yields, primarily related to the acquisition of the Maxit stores and the growth in that portfolio since the Maxit acquisition in the fourth quarter of 2010. Management expects this trend will be more comparable after the fourth quarter of 2011.

Foreign pawn loan fees and service charges decreased \$1.3 million, or 5.6%, to \$21.9 million in the current nine-month period from \$23.2 million in the prior year nine-month period. The decrease is mainly due to lower average pawn loan balances during the current nine-month period, which contributed \$0.7 million of the decrease, and lower annualized yield on pawn loans, which contributed \$0.6 million to the decrease during the current nine-month period.

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Annualized pawn loan yield was 114.6% in the current nine-month period, compared to 117.3% in the prior year nine-month period. The decrease in pawn loan yield is mostly due to a change in mix of pawn loans by market. In the current nine-month period, the lower pawn loan yield is primarily due to lower pawn yield in the domestic portfolio.



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**Proceeds from disposition of merchandise.** The following table summarizes the proceeds from the disposition of merchandise and the related profit for the current nine-month period and the prior year nine-month period (dollars in thousands):

|                                  | Nine Months Ended September 30, |            |            |            |            |            |
|----------------------------------|---------------------------------|------------|------------|------------|------------|------------|
|                                  | 2011                            |            |            | 2010       |            |            |
|                                  | Retail                          | Commercial | Total      | Retail     | Commercial | Total      |
| Proceeds from disposition        | \$ 246,028                      | \$ 189,747 | \$ 435,775 | \$ 214,750 | \$ 157,981 | \$ 372,731 |
| Gross profit on disposition      | \$ 97,859                       | \$ 67,201  | \$ 165,060 | \$ 86,106  | \$ 52,467  | \$ 138,573 |
| Gross profit margin              | 39.8 %                          | 35.4 %     | 37.9 %     | 40.1 %     | 33.2 %     | 37.2 %     |
| Percentage of total gross profit | 59.3 %                          | 40.7 %     | 100.0 %    | 62.1 %     | 37.9 %     | 100.0 %    |

The total proceeds from disposition of merchandise increased \$63.0 million, or 16.9%, during the current nine-month period from the prior year nine-month period, and the total gross profit from the disposition of merchandise increased \$26.5 million, or 19.1%, during the current nine-month period from the prior year nine-month period, mainly due to higher proceeds and gross profit margin on commercial sales and higher proceeds from retail sales. The consolidated merchandise turnover rate decreased to 2.8 times in the current nine-month period, compared to 2.9 times in the prior year nine-month period.

Proceeds from retail dispositions of merchandise increased \$31.3 million, or 14.6%, during the current nine-month period from the prior year nine-month period, primarily due to organic growth in the Company's domestic retail operations and the Maxit acquisition. However, the profit margin on the retail disposition of merchandise decreased slightly to 39.8% in the current nine-month period from 40.1% in the prior year nine-month period due primarily to slightly lower gross profit on retail jewelry sales.

Proceeds from commercial dispositions increased \$31.8 million, or 20.1%, during the current nine-month period over the prior year nine-month period. The profit margin on commercial sales increased to 35.4% in the current nine-month period from 33.2% in the prior year nine-month period. These increases were primarily due to an increase in the average market prices for gold and diamonds, offset by lower refined gold sales volume as a result of lower forfeiture rates on the Company's pawn loan portfolio secured by jewelry.

**Consumer Loan Activities:**

**Consumer loans fees.** Consumer loan fees increased \$59.3 million, or 16.5%, to \$418.5 million in the current nine-month period, compared to \$359.2 million in the prior year nine-month period. The increase in consumer loan fees is primarily due to growth in the e-commerce segment from lending in the foreign markets in which the Company operates, which was offset by a decrease in revenue from domestic markets in which consumer loans are no longer offered due to changes in laws and the absence of fees from the Company's MLOC business, which ceased operations in the fourth quarter of 2010.

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The following table sets forth consumer loan fees by segment adjusted for the deduction of the loan loss provision for the current and the prior year nine-month periods (dollars in thousands):

|   | 2011            |            |            | 2010            |            |            |
|---|-----------------|------------|------------|-----------------|------------|------------|
|   | Retail Services | E-Commerce | Total      | Retail Services | E-Commerce | Total      |
| Short-term loans  | \$ 79,503       | \$ 304,153 | \$ 383,656 | \$ 83,450       | \$ 243,543 | \$ 326,993 |
| Installment loans   | 6,329           | 28,537     | 34,866     | 126             | 6,489      | 6,615      |
| MLOC  | -               | -          | -          | -               | 25,568     | 25,568     |
| Consumer loan fees  | \$ 85,832       | \$ 332,690 | \$ 418,522 | \$ 83,576       | \$ 275,600 | \$ 359,176 |
| Consumer loan loss provision                              | 15,452          | 129,753    | 145,205    | 12,971          | 116,992    | 129,963    |
| Consumer loan fees, net of loan loss provision            | \$ 70,380       | \$ 202,937 | \$ 273,317 | \$ 70,605       | \$ 158,608 | \$ 229,213 |
| Year-over-year change - \$                                | \$ (225)        | \$ 44,329  | \$ 44,104  | \$ 576          | \$ 57,160  | \$ 57,736  |
| Year-over-year change - %                                 | (0.3)%          | 27.9 %     | 19.2 %     | 0.8 %           | 56.3 %     | 33.7 %     |
| Consumer loan loss provision as a % of consumer loan fees | 18.0 %          | 39.0 %     | 34.7 %     | 15.5 %          | 42.4 %     | 36.2 %     |

**Consumer loans written.** The amount of combined consumer loans written was \$2.16 billion in the current nine-month period, which is a decrease of \$26.2 million, or 1.2%, from \$2.19 billion in the prior year nine-month period, mainly due to the absence of consumer loans written in the MLOC services channel and, to a lesser extent, a decrease in loans written in domestic markets in which consumer loans are no longer offered due to changes in laws. Mitigating the decrease in combined consumer loans written was continued growth in consumer loans written from the e-commerce segment in foreign markets and an increase in multi-payment longer-term installment loans.

The average amount per consumer loan increased to \$510 from \$416 during the current nine-month period compared to the prior year nine-month period, due to the absence of loans purchased through the MLOC channel, which generally have a lower average loan amount per loan, and an increase in multi-payment longer-term installment loans, which typically have a higher average loan amount than single-payment short-term loans. Management expects the average amount per consumer loan to increase for the remainder of 2011 due to the increase in installment lending.

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The following table summarizes selected data related to the Company's consumer loan activities for the current and the prior year nine-month periods (dollars in thousands):

|  | Nine Months Ended September 30, |  |                         |                                 |  |                         |
|--|---------------------------------|--|-------------------------|---------------------------------|--|-------------------------|
|  | Company<br>Owned <sup>(a)</sup> | 2011<br>Guaranteed<br>by the<br>Company <sup>(a)</sup> | Combined <sup>(b)</sup> | Company<br>Owned <sup>(a)</sup> | 2010<br>Guaranteed<br>by the<br>Company <sup>(a)</sup> | Combined <sup>(b)</sup> |
| <b>Amount of consumer loans written:</b> |                                 |  |                         |                                 |  |                         |
| <b><u>Retail Services</u></b>            |                                 |  |                         |                                 |  |                         |
| Short-term loans                         | \$ 534,182                      | \$ 128,431   | \$ 662,613              | \$ 510,759                      | \$ 148,088   | \$ 658,847              |
| Installment loans                        | 6,580                           | 10,193   | 16,773                  | 267                             | 1,793  | 2,060                   |
| Total Retail Services                    | 540,762                         | 138,624  | 679,386                 | 511,026                         | 149,881  | 660,907                 |
| <b><u>E-Commerce</u></b>                 |                                 |  |                         |                                 |  |                         |
| <i>Domestic</i>                          |                                 |  |                         |                                 |  |                         |
| Short-term loans                         | 315,472                         | 491,424  | 806,896                 | 336,201                         | 597,391  | 933,592                 |
| Installment loans                        | 28,262                          | -  | 28,262                  | 13,187                          | -  | 13,187                  |
| MLOC                                     | -                               | -  | -                       | 274,234                         | -  | 274,234                 |
| Total Domestic                           | 343,734                         | 491,424  | 835,158                 | 623,622                         | 597,391  | 1,221,013               |
| <i>Foreign</i>                           |                                 |  |                         |                                 |  |                         |
| Short-term loans                         | 568,507                         | 40,476   | 608,983                 | 288,297                         | 16,166   | 304,463                 |
| Installment loans                        | 36,797                          | -  | 36,797                  | 119                             | -  | 119                     |
| Total Foreign                            | 605,304                         | 40,476   | 645,780                 | 288,416                         | 16,166   | 304,582                 |
| Total E-Commerce                         | 949,038                         | 531,900  | 1,480,938               | 912,038                         | 613,557  | 1,525,595               |
| Total amount of consumer loans written   | \$ 1,489,800                    | \$ 670,524   | \$ 2,160,324            | \$ 1,423,064                    | \$ 763,438   | \$ 2,186,502            |
| <b>Number of consumer loans written:</b> |                                 |  |                         |                                 |  |                         |
| <b><u>Retail Services</u></b>            |                                 |  |                         |                                 |  |                         |
| Short-term loans                         | 1,155,859                       | 226,068  | 1,381,927               | 1,172,012                       | 257,384  | 1,429,396               |
| Installment loans                        | 5,101                           | 2,039  | 7,140                   | 759                             | 324  | 1,083                   |
| Total Retail Services                    | 1,160,960                       | 228,107  | 1,389,067               | 1,172,771                       | 257,708  | 1,430,479               |
| <b><u>E-Commerce</u></b>                 |                                 |  |                         |                                 |  |                         |
| <i>Domestic</i>                          |                                 |  |                         |                                 |  |                         |
| Short-term loans                         | 957,228                         | 693,814  | 1,651,042               | 931,268                         | 863,570  | 1,794,838               |
| Installment loans                        | 24,630                          | -  | 24,630                  | 21,655                          | -  | 21,655                  |
| MLOC                                     | -                               | -  | -                       | 1,378,959                       | -  | 1,378,959               |
| Total Domestic                           | 981,858                         | 693,814  | 1,675,672               | 2,331,882                       | 863,570  | 3,195,452               |
| <i>Foreign</i>                           |                                 |  |                         |                                 |  |                         |
| Short-term loans                         | 1,077,980                       | 61,340   | 1,139,320               | 593,503                         | 37,014   | 630,517                 |
| Installment loans                        | 32,185                          | -  | 32,185                  | 133                             | -  | 133                     |
| Total Foreign                            | 1,110,165                       | 61,340   | 1,171,505               | 593,636                         | 37,014   | 630,650                 |
| Total E-Commerce                         | 2,092,023                       | 755,154  | 2,847,177               | 2,925,518                       | 900,584  | 3,826,102               |
| Total number of consumer loans written   | 3,252,983                       | 983,261  | 4,236,244               | 4,098,289                       | 1,158,292  | 5,256,581               |

(a) GAAP measure.

(b) Non-GAAP measure. See Quarter Ended September 30, 2011 Compared to Quarter Ended September 30, 2010 Consumer Loan Activities Combined consumer loans section above for a discussion of the Company's use of non-GAAP measures with respect to combined consumer loans.

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**Consumer loan loss provision.** The consumer loan loss provision increased by \$15.2 million to \$145.2 million in the current nine-month period, from \$130.0 million in the prior year nine-month period. The loss provision as a percentage of consumer loan fees decreased to 34.7% in the current nine-month period from 36.2% in the prior year nine-month period, primarily due to modifications in the Company's underwriting models that have contributed to lower default rates and improvements in the collectability and loan performance quality of the overall portfolio in both the domestic and foreign portfolios, partially offset by higher loan balances in the foreign e-commerce markets, which generally have higher loss rates.

The following table summarizes the consumer loan loss provision for the current and the prior year nine-month periods (dollars in thousands):

|   | Nine Months Ended<br>September 30, |            |
|---|------------------------------------|------------|
|   | <b>2011</b>                        | 2010       |
| <b>Consumer loan loss provision:</b>                                      |                                    |            |
| Loss provision on Company owned consumer loans                            | <b>\$ 145,556</b>                  | \$ 130,117 |
| Loss provision on consumer loans guaranteed by the Company <sup>(a)</sup> | <b>(351)</b>                       | (154)      |
| Combined consumer loan loss provision                                     | <b>\$ 145,205</b>                  | \$ 129,963 |
| Charge-offs, net of recoveries  | <b>\$ 137,174</b>                  | \$ 111,881 |

<sup>(a)</sup> The loss provisions on consumer loans guaranteed by the Company for the nine months ended September 30, 2011 and 2010 are credit balances due to improved collection rates and slightly lower volume of loans outstanding for the period as compared to the prior year period.

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**Total Expenses:** Total expenses increased \$70.8 million, or 17.1%, to \$485.2 million in the current nine-month period, compared to \$414.4 million in the prior year nine-month period. Total expenses at the retail services segment increased \$43.7 million, or 14.7%, to \$341.9 million during the current nine-month period compared to the prior year nine-month period. Total expenses for the e-commerce segment increased \$27.0 million, or 23.2%, to \$143.3 million in the current nine-month period compared to the prior year nine-month period.

The table below shows total expense by segment and significant category for the current and the prior year nine-month periods (dollars in thousands):

|                                      | Nine Months Ended September 30, |            |            |                 |            |            |
|--------------------------------------|---------------------------------|------------|------------|-----------------|------------|------------|
|                                      | 2011                            |            |            | 2010            |            |            |
|                                      | Retail Services                 | E-Commerce | Total      | Retail Services | E-Commerce | Total      |
| <b>Operations:</b>                   |                                 |            |            |                 |            |            |
| Personnel                            | \$ 150,777                      | \$ 25,800  | \$ 176,577 | \$ 134,904      | \$ 21,295  | \$ 156,199 |
| Occupancy                            | 70,140                          | 1,669      | 71,809     | 63,939          | 1,752      | 65,691     |
| Marketing                            | 9,866                           | 48,042     | 57,908     | 9,089           | 40,772     | 49,861     |
| Other                                | 34,186                          | 12,519     | 46,705     | 24,122          | 8,386      | 32,508     |
| Total operations                     | 264,969                         | 88,030     | 352,999    | 232,054         | 72,205     | 304,259    |
| <b>Administration:</b>               |                                 |            |            |                 |            |            |
| Personnel                            | 39,936                          | 21,809     | 61,745     | 36,405          | 19,572     | 55,977     |
| Other                                | 5,965                           | 24,904     | 30,869     | 4,471           | 18,384     | 22,855     |
| Total administration                 | 45,901                          | 46,713     | 92,614     | 40,876          | 37,956     | 78,832     |
| <b>Depreciation and amortization</b> | 31,026                          | 8,574      | 39,600     | 25,220          | 6,135      | 31,355     |
| <b>Total expenses</b>                | \$ 341,896                      | \$ 143,317 | \$ 485,213 | \$ 298,150      | \$ 116,296 | \$ 414,446 |
| <b>Year-over-year change - \$</b>    |                                 |            |            |                 |            |            |
| Operations                           | \$ 32,915                       | \$ 15,825  | \$ 48,740  | \$ 13,593       | \$ 29,382  | \$ 42,975  |
| Administration                       | 5,025                           | 8,757      | 13,782     | 575             | 12,226     | 12,801     |
| Depreciation and amortization        | 5,806                           | 2,439      | 8,245      | (237)           | 639        | 402        |
| Total                                | \$ 43,746                       | \$ 27,021  | \$ 70,767  | \$ 13,931       | \$ 42,247  | \$ 56,178  |
| <b>Year-over-year change - %</b>     | 14.7%                           | 23.2%      | 17.1%      | 4.9%            | 57.1%      | 15.7%      |

*Operations expense.* Operations expense for the retail services segment increased \$32.9 million, or 14.2%, to \$265.0 million, during the current nine-month period, compared to the prior year nine-month period. Personnel expense increased \$15.9 million during the current nine-month period, which was mainly related to the newly acquired Maxit locations and to normal personnel additions and merit increases. Occupancy expense increased \$6.2 million during the current nine-month period, which mainly related to the newly acquired Maxit locations and to normal rent increases. The increase in other operating expenses was due in part to adjustments made by the Company during the current nine-month period totaling \$2.5 million in the foreign operations that are included in the retail services segment, predominately related to the impairment of the existing point-of-sale system, which the Company began to replace in the second quarter of 2011, as well as adjustments for other impaired assets, severance and miscellaneous operating expenses. Management expects that these expenses are non-recurring as they reflect the continued transition from the previous management of Prenda Fácil and strategic re-orientation of the business activities which was initiated at the end of 2010. In addition, other operating expenses increased mainly due to increased maintenance, selling, travel and office expenses due in part to the Maxit acquisition and general expense increases.

Operations expense for the e-commerce segment increased \$15.8 million, or 21.9%, to \$88.0 million during the current nine-month period compared to the prior year nine-month period. Marketing expense increased \$7.3 million during the current nine-month period, mainly due to the online lending channel's efforts to expand the

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Company's customer base in both domestic and foreign markets. Personnel expense increased \$4.5 million, primarily due to the addition of new personnel to support the e-commerce segment's growth in foreign markets and an increase in incentive plan accruals. The increase in other operating expenses was primarily related to increased selling expenses to support the segment's growth in foreign markets.

*Administration Expense.* Administration expense for the retail services segment increased \$5.0 million, or 12.3%, to \$45.9 million during the current nine-month period, compared to the prior year nine-month period. The increase was primarily due to increased personnel expense, including salaries, short-term management bonuses, and employee benefit costs.

Administration expense for the e-commerce segment increased \$8.8 million, or 23.1%, to \$46.7 million during the current nine-month period, compared to the prior year nine-month period. The increase was due to increased salaries, wages and product development costs at the Company's e-commerce segment to support the segment's continued growth, as well as costs associated with the filing of Enova's Form S-1 registration statement. See the "Recent Developments" section above for further discussion.

*Depreciation and Amortization.* Depreciation and amortization expense at the retail services segment increased \$5.8 million, or 23.0%, to \$31.0 million, mainly due to the Maxit acquisition, normal facility upgrades and remodels and the implementation of the Company's point-of-sale system which was placed in service in July 2011.

Depreciation and amortization expenses at the e-commerce segment increased \$2.4 million, or 39.8%, to \$8.6 million, primarily related to systems development in support of new products, as well as normal system upgrades.

*Interest Expense:* Interest expense increased \$1.8 million, or 10.9%, to \$18.3 million in the current nine-month period as compared to \$16.5 million in the prior year nine-month period. The Company's effective blended borrowing cost was 4.9% in the current nine-month period, down from 5.0% in the prior year nine-month period, mainly due to the Company's increased concentration of borrowings under its variable rate line of credit. Although the average nine-month interest rate for current year increased for the variable rate line of credit, because the outstanding amount on the line of credit was a higher percentage of the total weighted average debt outstanding for 2011, the weighted contribution of this relatively lower rate debt decreased the overall effective borrowing cost. During the current nine-month period, the average amount of debt outstanding increased \$48.0 million to \$447.9 million, from \$399.9 million during the prior year nine-month period, primarily due to the Maxit acquisition during the fourth quarter of 2010, as well as increased funding of pawn loans and consumer loans. In general, acquisitions and working capital needs are predominantly funded by borrowings under the Company's line of credit. The Company incurred non-cash interest expense of \$2.7 million in the current nine-month period from its 2009 Convertible Notes.

*Foreign Currency Transaction Gain/Loss:* The Company is impacted by foreign currency transactions due to certain of its subsidiaries conducting business in currencies other than the U.S. dollar. In the current nine-month period, the Company recorded a foreign currency transaction loss of approximately \$1.1 million related to its operations in foreign countries, compared to a \$0.1 million loss in the prior year quarter, primarily because the U.S. dollar has strengthened against both the Mexican Peso and the British Pound.

**Table of Contents****LIQUIDITY AND CAPITAL RESOURCES****Cash Flows Highlights**

The Company's cash flows and other key indicators of liquidity are summarized as follows (dollars in thousands):

|   | Nine Months Ended September 30, |              |
|---|---------------------------------|--------------|
|   | 2011                            | 2010         |
| Cash flows provided by operating activities           | \$ 297,256                      | \$ 213,550   |
| Cash flows provided by investing activities           |                                 |              |
| Pawn loans  | \$ (45,598)                     | \$ 20,877    |
| Consumer loans  | (191,457)                       | (147,417)    |
| Acquisitions  | -                               | (23,012)     |
| Property and equipment additions                      | (51,795)                        | (37,466)     |
| Investment in equity securities                       | (5,000)                         | (5,652)      |
| Other investing                                       | (450)                           | (120)        |
| Total cash flows used in investing activities         | \$ (294,300)                    | \$ (192,790) |
| Cash flows provided by (used in) financing activities | \$ 10,593                       | \$ (14,210)  |
| Working capital                                       | \$ 624,505                      | \$ 474,559   |
| Current ratio   | 5.5 x                           | 4.4 x        |
| Merchandise turnover                                  | 2.8 x                           | 2.9 x        |
| Debt to Adjusted EBITDA ratio <sup>(a)</sup>          | 1.7 x                           | 1.7 x        |

(a) Non-GAAP measure.

**Cash flows from operating activities.** Net cash provided by operating activities increased \$83.7 million, or 39.2%, from \$213.6 million for the prior year nine-month period to \$297.3 million for the current nine-month period. The significant components of the increase in net cash provided by operating activities during the current nine-month period compared to the prior nine-month period included a \$17.1 million increase in net income, a \$15.2 million increase in the consumer loan loss provision, a non-cash expense, primarily as a result of growth in foreign consumer loans, and a \$8.2 million increase in depreciation and amortization, a non-cash expense. In addition, changes in deferred income taxes provided cash of \$30.8 million, resulting primarily from a change in the timing of tax deductions related to internally-developed software costs. Changes in merchandise held for disposition also provided cash of \$19.2 million due to lower purchases from customers and third parties. These increases were partially offset by a decrease in accounts payable and accrued expenses related to the timing of payroll cycles in the current nine-month period.

Management believes that its expected cash flows from operations and available cash balances and borrowings will be sufficient to fund the Company's operating liquidity needs.

**Cash flows from investing activities.** Net cash used by investing activities increased \$101.5 million, or 52.7%, in the current nine-month period compared to the prior year nine-month period. Significant components of this increase included a \$66.5 million increase in cash used in pawn lending activities, primarily due to growth in the Company's domestic pawn loan portfolio, and, as a result of growth in the Company's foreign consumer loan portfolio, a \$44.0 million increase in cash used in consumer loan lending activities. In addition, during the current nine-month period, the Company increased cash used for the purchase of property and equipment by \$14.3 million, primarily for the establishment and remodeling of lending locations, the development of a new point-of-sale system for domestic retail services locations, the installation of new

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systems in foreign retail services locations and system developments to support the growth and introduction of new products in the e-commerce segment, which was offset by a \$23.0 million



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decrease in cash used for acquisitions during the current nine-month period.

Management anticipates that expenditures for property and equipment for the remainder of 2011 will be between \$10.0 million and \$20.0 million, primarily for the remodeling of selected operating units, for the completion and rollout of product delivery and information systems, the deployment of the Company's modified U.S. point-of-sale system into its foreign retail services business and for the establishment of approximately 5 to 10 new retail services locations.

**Cash flows from financing activities.** Net cash provided by financing activities increased \$24.8 million, or 174.5%, from a use of \$14.2 million in the prior nine-month period to a source of \$10.6 million in the current nine-month period. During the current nine-month period, the amount of net debt repayments, including debt financing costs, decreased by \$31.3 million, from a use of \$0.7 million in the prior year nine-month period to a source of cash of \$30.6 million in the current nine-month period. This decrease was partially offset by a \$3.0 million increase in net cash used for the repurchase of shares of Company common stock through open market transactions, pursuant to an authorization by the Board of Directors of the Company on January 26, 2011, and through the repurchase of shares of common stock for tax payments related to stock-based compensation.

On March 30, 2011, the Company entered into a new credit agreement for up to \$330.0 million of credit with a group of commercial banks (the Credit Agreement). The Credit Agreement matures on March 31, 2015 and consists of a \$280.0 million line of credit, which includes the ability to borrow up to \$50.0 million in specified foreign currencies or U.S. dollars (the Domestic and Multi-currency Line), and a \$50.0 million term loan facility (the 2015 Variable Rate Notes). Beginning on March 31, 2012, the 2015 Variable Rate Notes require quarterly installment payments of \$2.1 million, with any outstanding principal remaining due at maturity on March 31, 2015.

In conjunction with the entry into the Credit Agreement, the Company repaid all outstanding revolving credit loans under its \$300.0 million domestic line of credit due 2012 (the USD Line of Credit) and its variable rate senior unsecured note due 2012 (the 2012 Variable Rate Notes) with proceeds of the Credit Agreement. The outstanding amounts under the USD Line of Credit and 2012 Variable Rate Notes, respectively, as of March 30, 2011, were \$154.0 million and \$25.8 million, respectively.

During the prior year nine-month period, the Company issued \$25.0 million aggregate principal amount of its 2017 senior unsecured notes in a private placement pursuant to a note purchase agreement dated January 28, 2010 by and among the Company and certain purchasers listed therein.

On March 30, 2011, in conjunction with the establishment of the Credit Agreement, the Company entered into a separate credit agreement for the issuance of up to \$20.0 million in letters of credit (the Letter of Credit Facility). The Company had standby letters of credit of \$18.6 million issued under the Letter of Credit Facility at September 30, 2011. Previously, these letters of credit were provided under the USD line of credit by reducing the amount available to the Company.

Each of the Company's credit agreements and senior unsecured notes require the Company to maintain certain financial ratios. As of September 30, 2011, the Company was in compliance with all covenants and other requirements set forth in its debt agreements. Management believes that the borrowings available (\$56.0 million at September 30, 2011) under the Credit Agreement and anticipated cash generated from operations and current working capital of \$624.5 million is sufficient to meet the Company's anticipated capital requirements for its businesses. Should the Company experience a significant decline in demand for the Company's products and services or other unexpected changes in financial condition, management would evaluate several alternatives to ensure that it is in a position to meet liquidity requirements. The Company's strategies to generate additional liquidity may include the sale of assets, reductions in capital spending, changes to the issuance of debt or equity securities and/or its management of its current assets. The characteristics of the Company's current assets, specifically the ability to rapidly liquidate gold jewelry inventory and adjust outflows of cash in its lending practices, gives the Company flexibility to quickly modify its business strategy to increase cash flow from its business, if necessary.

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On September 15, 2011, Enova, a wholly-owned subsidiary of the Company that comprises the Company's e-commerce segment, filed a registration statement on Form S-1 with the Securities and Exchange Commission in connection with a proposed initial public offering of its common stock. See the "Recent Developments" section above for further discussion. At the date of this report, the registration statement is not effective, but if the offering is successfully completed, it would increase the Company's liquidity position. Upon completion of the proposed initial public offering, the Company intends to use the proceeds it receives in the offering and from the repayment of Enova's intercompany indebtedness to the Company of \$358.6 million as of September 30, 2011, net of applicable taxes, to repay a portion of the amounts outstanding under its domestic line of credit and for other general corporate purposes, which may include, among other potential uses, funding its strategy of expanding its storefront business and products in the United States and Latin America and possibly its repurchases of the Company's common stock.

## **Share Repurchases**

On January 26, 2011, the Board of Directors of the Company authorized the repurchase of up to 2.5 million shares of its common stock and cancelled the Company's previous share repurchase authorization. During the current nine-month period, the Company purchased 370,000 shares in open market transactions under this authorization for a total investment of \$16.6 million, including commissions. Management anticipates that it will continue to periodically purchase shares under this authorization based on its assessment of market characteristics, the liquidity position of the Company and alternative prospects for the investment of capital to expand the business and pursue strategic objectives.

## **Off-Balance Sheet Arrangements**

In certain markets, the Company arranges for consumers to obtain consumer loan products from one of several independent third-party lenders through its CSO programs. When a consumer executes an agreement with the Company under the CSO programs, the Company agrees, for a fee payable to the Company by the consumer, to provide certain services to the consumer, one of which is to guarantee the consumer's obligation to repay the loan received by the consumer from the third-party lender if the consumer fails to do so. For consumer loan products originated by third-party lenders under the CSO programs, each lender is responsible for providing the criteria by which the consumer's application is underwritten and, if approved, determining the amount of the consumer loan. The Company in turn is responsible for assessing whether or not the Company will guarantee such loans. As of September 30, 2011 and 2010, the amount of active consumer loans originated by third-party lenders under the CSO program was \$51.2 million and \$48.4 million, respectively, which were guaranteed by the Company.

## **Regulatory Developments**

In 2010 the United States Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. This legislation authorizes the creation of a Consumer Financial Protection Bureau with broad regulatory powers over consumer credit products such as those offered by the Company. The Company cannot currently predict whether the Bureau will impose additional regulations that could affect the credit products offered by the Company. However, if the Bureau were to promulgate regulations that adversely impact the credit products offered by the Company, such regulations could have a material adverse effect on the Company's business, prospects, results of operations and financial condition.

**Table of Contents****Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Market risks relating to the Company's operations result primarily from changes in interest rates, foreign exchange rates, and gold prices. The Company does not engage in speculative or leveraged transactions, nor does it hold or issue financial instruments for trading purposes. Except as noted below, there have been no material changes to the Company's exposure to market risks since December 31, 2010.

**Foreign Currency Exchange Risk.** The Company periodically uses forward currency exchange contracts and foreign debt instruments to minimize risk of foreign currency exchange rate fluctuations in the United Kingdom and Australia. As of September 30, 2011, the Company's forward currency exchange contracts are non-designated derivatives. Any gain or loss resulting from these forward contracts is recorded as income or loss and is included in Foreign currency transaction gain (loss) in the Company's consolidated statement of income. As of September 30, 2011, the Company designated the intercompany balance related to its Mexico operations as long-term; therefore, future gains and losses related to the translation of this balance will be recognized in Accumulated other comprehensive income (loss) in the accompanying consolidated statements of equity. The following table sets forth, by each foreign currency hedged, the notional amounts of forward currency exchange contracts as of September 30, 2011, the total gains or losses recorded for the nine months ended September 30, 2011, and sensitivity analysis of hypothetical fluctuations in the exchange rates of the foreign currencies (U.S. Dollars in thousands).

|                   | Notional amount of<br>outstanding contracts<br>as of<br>September 30,<br>2011 | Gain/(loss)<br>recorded in 2011 | Sensitivity<br>Analysis<br>(a) |
|-------------------|---|---------------------------------|--------------------------------|
| British pound     | \$ 61,013   | \$ 1,049                        | \$ 3,951                       |
| Mexican peso      | -   | 1,303                           | -                              |
| Australian dollar | 3,754   | 30                              | 239                            |
| Total             | \$ 64,767   | \$ 2,382                        | \$ 4,190                       |

(a) Represents the decrease to net income attributable to the Company due to a hypothetical 10% strengthening of the foreign currency against the U.S. dollar.

The Company is also subject to currency exchange rate fluctuations in Canada. The Company does not currently manage its exposure to risk from foreign currency exchange rate fluctuations through the use of foreign exchange forward contracts in Canada. As the Company's Canadian operations continue to grow, management will continue to evaluate and implement foreign exchange rate risk management strategies. See Item 1. Financial Statements and Supplementary Data Note 10.

**Item 4. Controls and Procedures**

Under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, management of the Company has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, or the Exchange Act) as of September 30, 2011 (the Evaluation Date). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective and provide reasonable assurance (i) to ensure that information required to be disclosed in reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms; and (ii) to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

There was no change in the Company's internal control over financial reporting during the quarter ended

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September 30, 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's management, including its Chief Executive Officer and Chief Financial Officer, does not expect that the Company's disclosure controls and procedures or internal controls will prevent all possible error and fraud. The Company's disclosure controls and procedures and internal controls are, however, designed to provide reasonable assurance of achieving their objectives, and the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective at that reasonable assurance level.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

See Note 8 of Item 1 Financial Statements.

### **Item 1A. Risk Factors**

Except as set forth below, there have been no material changes from the Risk Factors described in Part I Item 1A. Risk Factors of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

*There are risks associated with the Company's previously-announced proposed initial public offering of Enova International, Inc.*

On September 15, 2011, the Company announced that its board of directors had unanimously approved a plan to divest a majority ownership of its wholly-owned subsidiary, Enova International, Inc. (Enova), that comprises its e-commerce segment via an initial public offering (an IPO), and Enova has filed a registration statement on Form S-1 to register shares of common stock to be sold by Enova and the Company. The completion of the IPO is subject to numerous conditions, including market conditions. The Company may not complete the IPO, in which event it will have incurred significant expenses that it will be unable to recover, and for which it will not receive any benefit. If the IPO is completed, Enova would be a new publicly-traded company. The Company is unable to predict what the market price of its common stock would be after the IPO. The Company cannot make any assurances that the IPO, if completed, will produce any increase for its shareholders in the market value of their holdings in the Company. In addition, the market price of the Company's common stock could be volatile for several months after the IPO and may continue to be more volatile than the Company's common stock would have been if the IPO had not occurred.

**Table of Contents****Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table provides the information with respect to purchases made by the Company of shares of its common stock, par value \$0.10 per share, during each of the months in the first nine months of 2011:

| Period                      | Total Number of Shares Purchased <sup>(a)</sup> | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plan <sup>(b)</sup> | Maximum Number of Shares that May Yet Be Purchased Under the Plan <sup>(b)</sup> |
|-----------------------------|---|------------------------------|--|--|
| January 1 to January 31     | 1,768   | \$39.36                      | -  | 2,500,000  |
| February 1 to February 28   | 140,598   | \$41.32                      | 120,000  | 2,380,000  |
| March 1 to March 31         | 135,000   | \$42.30                      | 135,000  | 2,245,000  |
| April 1 to April 30         | -   | \$0.00                       | -  | 2,245,000  |
| May 1 to May 31             | 60,023  | \$47.95                      | 60,000   | 2,185,000  |
| June 1 to June 30           | 15,000  | \$49.96                      | 15,000   | 2,170,000  |
| July 1 to July 31           | 20,000  | \$57.08                      | 20,000   | 2,150,000  |
| August 1 to August 31       | 20,021  | \$55.90                      | 20,000   | 2,130,000  |
| September 1 to September 30 | -   | \$0.00                       | -  | 2,130,000  |
| Total                       | 392,410   | \$44.54                      | 370,000  |  |

<sup>(a)</sup> Includes 27, 23, and 21 shares of the Company's common stock purchased in the months of February, May, and August, respectively, due to the reinvestment of dividends in the Company's non-qualified deferred compensation plans and shares withheld from employees as partial tax payments for shares issued under stock-based compensation plans of 1,768 and 20,571 shares for the months of January and February, respectively.

<sup>(b)</sup> On January 26, 2011, the Board of Directors authorized the Company's repurchase of up to a total of 2,500,000 shares of the Company's common stock. This repurchase authorization cancelled and replaced the Company's previous authorization for the repurchase of up to a total of 1,500,000 shares of the Company's common stock that was approved by the Board of Directors on October 24, 2007.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. (Removed and Reserved)****Item 5. Other Information**

None.

**Table of Contents****Item 6. Exhibits**

| Exhibit No.            | Exhibit Description   | Incorporated by Reference |          |         | Filed<br>Date | Filed<br>Herewith |
|------------------------|---|---------------------------|----------|---------|---------------|-------------------|
|                        |   | Form                      | File No. | Exhibit |               |                   |
| 31.1                   | Certification of Chief Executive Officer  |                           |          |         |               | X                 |
| 31.2                   | Certification of Chief Financial Officer  |                           |          |         |               | X                 |
| 32.1                   | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |                           |          |         |               | X                 |
| 32.2                   | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |                           |          |         |               | X                 |
| 101.INS <sup>(1)</sup> | XBRL Instance Document  |                           |          |         |               | X <sup>(2)</sup>  |
| 101.SCH <sup>(1)</sup> | XBRL Taxonomy Extension Schema Document   |                           |          |         |               | X <sup>(2)</sup>  |
| 101.CAL <sup>(1)</sup> | XBRL Taxonomy Extension Calculation Linkbase Document   |                           |          |         |               | X <sup>(2)</sup>  |
| 101.DEF <sup>(1)</sup> | XBRL Taxonomy Extension Definition Linkbase Document  |                           |          |         |               | X <sup>(2)</sup>  |
| 101.LAB <sup>(1)</sup> | XBRL Taxonomy Label Linkbase Document   |                           |          |         |               | X <sup>(2)</sup>  |
| 101.PRE <sup>(1)</sup> | XBRL Taxonomy Extension Presentation Linkbase Document  |                           |          |         |               | X <sup>(2)</sup>  |

- (1) Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets at September 30, 2011, September 30, 2010 and December 31, 2010; (ii) Consolidated Statements of Income for the three and nine months ended September 30, 2011 and September 30, 2010; (iii) Consolidated Statements of Equity at September 30, 2011 and September 30, 2010; (iv) Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2011 and September 30, 2010; (v) Consolidated Statements of Cash Flows for the nine months ended September 30, 2011 and September 30, 2010; and (vi) Notes to Consolidated Financial Statements.
- (2) Submitted electronically herewith.

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: October 25, 2011

CASH AMERICA INTERNATIONAL, INC.

By: /s/ Thomas A. Bessant, Jr.  
Thomas A. Bessant, Jr.  
Executive Vice President and  
Chief Financial Officer  
(On behalf of the Registrant and as

Principal Financial Officer)

**Table of Contents****EXHIBIT INDEX**

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