EZCORP INC
Form 10-Q
August 08, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2012

or

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

For the transition period from to

Commission File No. 0-19424

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

Delaware (State or other jurisdiction of incorporation or organization)	74-2540145 (I.R.S. Employer Identification No.)
1901 Capital Parkway Austin, Texas (Address of principal executive offices)	78746 (Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

The only class of voting securities of the registrant issued and outstanding is the Class B Voting Common Stock, par value $.01 per share, all of which is owned by an affiliate of the registrant. There is no trading market for the Class B Voting Common Stock.

As of June 30, 2012, 48,223,698 shares of the registrant's Class A Non-voting Common Stock, par value $.01 per share, and 2,970,171 shares of the registrant's Class B Voting Common Stock, par value $.01 per share, were outstanding.

EZCORP, INC.

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ITEM 1. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Condensed Consolidated Balance Sheets

	June 30, 2012 (Unaudited)	June 30, 2011 (Unaudited)	September 30, 2011
	(In thousands)		
Assets:			
Current assets:			
Cash and cash equivalents	$50,774	$27,492	$23,969
Cash, restricted	1,051	—	—
Pawn loans	147,503	134,633	145,318
Consumer loans, net	28,487	14,437	14,611
Pawn service charges receivable, net	26,092	24,372	26,455
Consumer loan fees receivable, net	25,729	6,884	6,775
Inventory, net	94,421	79,031	90,373
Deferred tax asset	18,226	16,150	18,125
Income tax receivable	9,898	3,099	—
Prepaid expenses and other assets	40,268	21,932	30,611
Total current assets	442,449	328,030	356,237
Investments in unconsolidated affiliates	125,309	114,777	120,319
Property and equipment, net	100,196	75,049	78,498
Goodwill	321,423	167,017	173,206
Intangible assets, net	78,666	20,192	19,790
Non-current consumer loans, net	50,587	—	—
Other assets, net	19,443	8,556	8,400
Total assets	$1,138,073	$713,621	$756,450
Liabilities and stockholders' equity:			
Current liabilities:			
Current maturities of long-term debt	$31,126	$—	$—
Current capital lease obligations	395	—	—
Accounts payable and other accrued expenses	70,696	53,242	57,400
Customer layaway deposits	6,740	6,131	6,176
Income taxes payable	—	—	693
Total current liabilities	108,957	59,373	64,269
Long-term debt, less current maturities	175,740	26,500	17,500
Long-term capital lease obligations	764	—	—
Deferred tax liability	7,788	1,237	8,331
Deferred gains and other long-term liabilities	14,187	2,209	2,102
Total liabilities	307,436	89,319	92,202
Commitments and contingencies			
Temporary equity:			
Redeemable noncontrolling interest	44,864	—	—
Stockholders' equity:			
Class A Non-voting Common Stock, par value $.01 per share; authorized 54 million shares; issued and outstanding: 48,223,698 at June 30, 2012; 46,971,535 at June 30, 2011; and 47,228,610 at September 30, 2011	482	469	471

Class B Voting Common Stock, convertible, par value $.01 per share; 3 million shares authorized; issued and outstanding: 2,970,171	30	30	30
Additional paid-in capital	266,653	233,056	242,398
Retained earnings	527,231	385,730	422,095
Accumulated other comprehensive income (loss)	(8,623)	5,017	(746)
EZCORP, Inc. stockholders’ equity	785,773	624,302	664,248
Total liabilities and stockholders’ equity	$1,138,073	$713,621	$756,450

See accompanying notes to interim condensed consolidated financial statements (unaudited).

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Condensed Consolidated Statements of Operations (Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2012	2011	2012	2011
	(In thousands, except per share amounts)			
Revenues:				
Sales	$117,932	$115,345	$409,401	$363,658
Pawn service charges	56,163	48,365	172,399	144,944
Consumer loan fees	53,504	38,870	148,911	125,652
Other revenues	1,365	572	3,404	978
Total revenues	228,964	203,152	734,115	635,232
Cost of goods sold	72,453	69,128	244,463	219,258
Consumer loan bad debt	11,251	11,027	28,742	27,795
Net revenues	145,260	122,997	460,910	388,179
Operating expenses:				
Operations	75,709	66,753	227,479	197,302
Administrative	22,697	14,379	63,761	56,250
Depreciation	6,215	4,458	16,805	12,670
Amortization	1,162	221	3,086	654
(Gain) loss on sale or disposal of assets	312	169	138	(2)
Total operating expenses	106,095	85,980	311,269	266,874
Operating income	39,165	37,017	149,641	121,305
Interest income	(133)	(21)	(486)	(35)
Interest expense	1,030	586	4,180	1,186
Equity in net income of unconsolidated affiliates	(4,197)	(4,099)	(12,935)	(12,157)
Other	160	(103)	(157)	(160)
Income before income taxes	42,305	40,654	159,039	132,471
Income tax expense	12,594	14,127	52,603	46,677
Net income	29,711	26,527	106,436	85,794
Net income attributable to redeemable noncontrolling interest	1,188	—	1,300	—
Net income attributable to EZCORP, Inc.	$28,523	$26,527	$105,136	$85,794
Net income per common share:				
Basic	$0.56	$0.53	$2.07	$1.72
Diluted	$0.56	$0.53	$2.06	$1.71
Weighted average shares outstanding:				
Basic	51,162	49,926	50,769	49,849
Diluted	51,340	50,385	51,042	50,292

See accompanying notes to interim condensed consolidated financial statements (unaudited).

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Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2012	2011	2012	2011
	(In thousands)		(In thousands)	
Net income	$29,711	$26,527	$106,436	$85,794
Other comprehensive income (loss):				
Foreign currency translation gain (loss)	(8,513)	2,445	(10,887)	15,333
Unrealized holding gains (loss) arising during period	(108)	748	(846)	986
Income tax benefit (provision)	(948)	(1,000)	1,563	(4,927)
Other comprehensive income (loss), net of tax	(9,569)	2,193	(10,170)	11,392
Comprehensive income	$20,142	$28,720	$96,266	$97,186
Attributable to redeemable noncontrolling interest:				
Net income	1,188	—	1,300	—
Foreign currency translation gain (loss)	(2,789)	—	(2,293)	—
Comprehensive income (loss)	(1,601)	—	(993)	—
Comprehensive income attributable to EZCORP, Inc.	$21,743	$28,720	$97,259	$97,186

See accompanying notes to interim condensed consolidated financial statements (unaudited).

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Condensed Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended June 30,	
	2012	2011
	(In thousands)	
Operating Activities:		
Net income	$106,436	$85,794
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,891	13,324
Consumer loan loss provision	12,136	11,255
Deferred income taxes	(644)	8,571
(Gain) loss on sale or disposal of assets	138	(2)
Stock compensation	5,191	11,536
Income from investments in unconsolidated affiliates	(12,935)	(12,157)
Changes in operating assets and liabilities, net of business acquisitions:		
Service charges and fees receivable, net	1,150	(984)
Inventory, net	(874)	(1,206)
Prepaid expenses, other current assets, and other assets, net	(4,845)	(4,845)
Accounts payable and accrued expenses	(12,100)	3,068
Customer layaway deposits	(182)	(162)
Deferred gains and other long-term liabilities	722	(275)
Excess tax benefit from stock compensation	(1,582)	(3,166)
Income taxes receivable/payable	(8,370)	(3,453)
Net cash provided by operating activities	104,132	107,298
Investing Activities:		
Loans made	(571,683)	(466,137)
Loans repaid	382,854	297,016
Recovery of pawn loan principal through sale of forfeited collateral	179,681	149,954
Additions to property and equipment	(33,193)	(24,324)
Acquisitions, net of cash acquired	(125,249)	(64,823)
Dividends from unconsolidated affiliates	5,560	7,274
Net cash used in investing activities	(162,030)	(101,040)
Financing Activities:		
Proceeds from exercise of stock options	647	395
Excess tax benefit from stock compensation	1,582	3,166
Debt issuance cost	—	(2,397)
Taxes paid related to net share settlement of equity awards	(1,153)	(7,409)
Change in restricted cash	(1,085)	—
Proceeds from revolving line of credit	594,809	70,000
Payments on revolving line of credit	(502,575)	(43,500)
Proceeds from bank borrowings	343	—
Payments on bank borrowings and capital lease obligations	(8,164)	(25,004)
Net cash provided by (used) in financing activities	84,404	(4,749)
Effect of exchange rate changes on cash and cash equivalents	299	129
Net increase in cash and cash equivalents	26,805	1,638
Cash and cash equivalents at beginning of period	23,969	25,854
Cash and cash equivalents at end of period	$50,774	$27,492
Non-cash Investing and Financing Activities:		
Pawn loans forfeited and transferred to inventory	$177,490	$152,415

Issuance of common stock due to acquisitions	$17,984	$—
Contingent consideration	$23,000	$—
Deferred consideration	$916	$—

See accompanying notes to interim condensed consolidated financial statements (unaudited).

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Consolidated Statements of Stockholders' Equity (Unaudited)

	Common Stock Shares	Common Stock Par Value	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity	Redeemable Noncontrolling Interest
	(In thousands)						
Balances at September 30, 2010	49,226	$493	$225,374	$299,936	$ (6,375)	$ 519,428	—
Stock compensation	—	—	11,536	—	—	11,536	—
Stock options exercised	41	1	394	—	—	395	—
Release of restricted stock	675	—	—	—	—	—	—
Excess tax benefit from stock compensation	—	5	3,161	—	—	3,166	—
Taxes paid related to net share settlement of equity awards	—	—	(7,409)	—	—	(7,409)	—
Unrealized gain on available-for-sale securities	—	—	—	—	642	642	—
Foreign currency translation adjustment	—	—	—	—	10,750	10,750	—
Net income attributable to EZCORP, Inc.	—	—	—	85,794	—	85,794	—
Balances at June 30, 2011	49,942	$499	$233,056	$385,730	$ 5,017	$ 624,302	$ —
Balances at September 30, 2011	50,199	$501	$242,398	$422,095	$ (746)	$ 664,248	—
Stock compensation	—	—	5,191	—	—	5,191	—
Stock options exercised	201	2	645	—	—	647	—
Issuance of common stock due to acquisitions	635	7	17,992	—	—	17,999	—
Acquisition of redeemable noncontrolling interest	—	—	—	—	—	—	45,857
Release of restricted stock	159	—	—	—	—	—	—
Excess tax benefit from stock compensation	—	2	1,580	—	—	1,582	—
Taxes paid related to net share settlement of equity awards	—	—	(1,153)	—	—	(1,153)	—
Unrealized (loss) on available-for-sale securities	—	—	—	—	(550)	(550)	—
Foreign currency translation adjustment	—	—	—	—	(7,327)	(7,327)	(2,293)
Net income attributable to EZCORP, Inc.	—	—	—	105,136	—	105,136	—
Net income attributable to redeemable noncontrolling interest	—	—	—	—	—	—	1,300
Balances at June 30, 2012	51,194	$512	$266,653	$527,231	$ (8,623)	$ 785,773	$ 44,864

See accompanying notes to interim condensed consolidated financial statements (unaudited).

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EZCORP, INC. AND SUBSIDIARIES
Notes to Interim Condensed Consolidated Financial Statements (Unaudited)
June 30, 2012

Note A: Significant Accounting Policies
Basis of Presentation
The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Our management has included all adjustments it considers necessary for a fair presentation. These adjustments are of a normal, recurring nature except for those related to acquired businesses (described in Note B). The accompanying financial statements should be read with the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended September 30, 2011. The balance sheet at September 30, 2011 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Our business is subject to seasonal variations and operating results for the three and nine-month periods ended June 30, 2012 (the “current quarter” and “current nine-month period”) are not necessarily indicative of the results of operations for the full fiscal year.
The consolidated financial statements include the accounts of EZCORP, Inc. and its consolidated subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation. We own 60% of the outstanding equity interests in Prestaciones Finmart, S.A.P.I. de C.V., SOFOM, E.N.R. (“Crediamigo”) and 72% of Ariste Holding Limited and its affiliates ("Cash Genie"), and therefore, include their results in our consolidated financial statements. We account for our investments in Albemarle & Bond Holdings, PLC and Cash Converters International Limited using the equity method.
With the exception of the policies described in the section below, there have been no changes in significant accounting policies as described in our Annual Report on Form 10-K for the year ended September 30, 2011.
Consumer Loans
We provide a variety of short-term consumer loans including payday loans, installment loans and auto title loans, and in Texas only, fee-based credit services to customers seeking loans. In Mexico, Crediamigo enters into agreements with employers that permit it to market long-term consumer loans to employees. Payments are withheld by the employers through payroll deductions and remitted to Crediamigo. With the exception of the consolidation of Crediamigo, there have been no changes to our consumer loans policy.
Revenue Recognition
We recognize consumer loan fees related to loans we directly originate based on the percentage of consumer loans made that we believe to be collectible. We earn credit service fees when we assist customers in obtaining consumer loans from unaffiliated lenders, and we recognize the fee revenue ratably over the life of the related loans. We reserve the percentage of interest and credit service fees we expect not to collect. Accrued fees related to defaulted loans reduce fee revenue upon loan default and increase fee revenue upon collection.
Allowance for Losses and Bad Debt Expense
See note K “Allowance for Losses and Credit Quality of Financing Receivables” for a discussion of the Company’s allowance for losses and bad debt expense on consumer loans.
Derivative Instruments and Hedging Activities
We record all derivative instruments according to Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 815-20-25, “Derivatives and Hedging – Recognition.” Accounting for changes in the fair value of derivatives is determined by the intended use of the derivative, whether it is designated as a hedge and whether the hedging relationship is effective in achieving offsetting changes for the risk being hedged. Derivatives designated to hedge the changes in the fair value of an asset, liability or firm commitment due to an identified risk in the hedged item, such as interest rate risk or foreign currency exchange rate risk are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other

types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a cash flow hedge. We may enter into derivative contracts that are intended to economically hedge certain of our risks, even though

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hedge accounting does not apply or we elect not to apply hedge accounting.

We acquire significant amounts of gold either through purchases or from forfeited pawn loan collateral and sell it to refiners. In our first fiscal quarter of 2012, we began using derivate financial instruments in order to manage our commodity price risk associated with the forecasted sales of gold scrap. From time to time, we purchase put options related to the future market price of gold, and simultaneously, we sell a call option for the same future period for a premium to offset the cost of the put. The combined put and call options, or collar, has the effect of providing us protection from the future downward gold price movement but also limits the extent we can participate in future upward price movement. These collars are not designated as hedges as they do not meet the hedge accounting requirements FASB ASC 851-20-25. The fair value of the derivative instruments is recognized in “Prepaid expenses and other assets” in the consolidated balance sheets and changes in fair value are recognized in “Other” in our consolidated statements of operations.

Reclassifications

Previously, we reported segment information based primarily on product offerings. Beginning with the second quarter of fiscal 2012, we redefined our reportable operating segments based on geography as our company is increasingly being organized and managed along geographic lines, with product offerings and channels based on local custom and regulation. For this reason, we concluded that segment reporting based on geography more closely aligns with our management organization and strategic direction. In connection with the new segment structure, we have changed the accountability for, and reporting of, certain items including administrative expenses, depreciation and amortization, interest and our equity in the net income of unconsolidated affiliates. When practical, these items are allocated to segments. Interest is also allocated to operating segments when debt is incurred at the local country level and is non-recourse to EZCORP, Inc. These items are now included in the segment’s measure of profit or loss (“segment contribution”). Expenses that cannot be allocated are included as corporate expenses.

In our second fiscal quarter of 2011, we reclassified fees from our Product Protection Plan and Jewelry VIP Program as well as layaway fees from “Other” revenue to “Sales,” as fees from these products are incidental to sales of merchandise. Prior year figures have been reclassified to conform to this presentation and margins have been recalculated accordingly throughout management’s discussion and analysis.

Recently Issued Accounting Pronouncements

In July 2012, the FASB issued Accounting Standards Updates ("ASU") 2012-02, Testing Indefinite-Lived Intangible Assets for Impairment. This update amends FASB ASC 350 (Intangibles – Goodwill and Other) by allowing entities to first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test. The amendments in this update are effective for annual and interim impairment tests performed for fiscal years beginning on or after September 15, 2012. We do not anticipate the adoption of ASU 2012-02 will have a material effect on our financial position, results of operations or cash flows.

In December 2011, the FASB issued ASU 2011-11, Disclosures about Offsetting Assets and Liabilities. This update, which amends FASB ASC 210 (Balance Sheet), requires entities to disclose information about offsetting and related arrangements and the effect of those arrangements on its financial position. The amendments in ASU 2011-11 enhance disclosures required by FASB ASC 210 by requiring improved information about financial instruments and derivative instruments that are either offset in accordance with FASB ASC 210-20-45 or 815-10-45 or are subject to an enforceable master netting arrangement or similar agreement. ASU 2011-11 is effective for interim and annual periods beginning on or after January 1, 2013. Disclosures are required retrospectively for all comparative periods presented. Currently, we do not enter into any right of offset arrangements and we do not anticipate that the adoption of ASU 2011-11 will have a material effect on our financial position, results of operations or cash flows.

In September 2011, the FASB issued ASU 2011-08, Testing Goodwill for Impairment. This update amends FASB ASC 350 (Intangibles – Goodwill and Other) by allowing entities to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. The amendments in this update are effective for annual and interim goodwill impairment tests performed for fiscal years beginning on or after December 15, 2011. We do not anticipate the adoption of ASU 2011-08 will have a material effect on our financial position, results of operations or cash flows.

Recently Adopted Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. Generally Accepted Accounting Principles ("GAAP") and International Financial Reporting Standards ("IFRS"). This update amends FASB ASC 820 (Fair Value Measurement) by providing common principles and requirements for measuring fair value, as well as similar disclosure requirements between U.S. GAAP and IFRS. It changes certain fair value measurement principles, clarifies the application of existing fair value concepts, and expands disclosure requirements, particularly for Level 3 fair value measurements. ASU 2011-04 is effective for interim and annual periods beginning on or after

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December 15, 2011. We adopted ASU 2011-04 in our interim period beginning January 1, 2012 with no material effect on our financial position, results of operations or cash flows.

In December 2011, the FASB issued ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05. This update supersedes certain content in ASU 2011-05 Presentation of Comprehensive Income that requires entities to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statements where the components of net income and the components of other comprehensive income are presented. This update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. All other requirements in ASU 2011-05, including the requirement to report comprehensive income in either a single continuous financial statement or in two separate but consecutive financial statements, were not affected by ASU 2011-12. This update is effective for fiscal years beginning on or after December 15, 2011. We early adopted this amended standard in our fiscal year beginning October 1, 2011 with no effect on our financial position, results of operations or cash flows.

In December 2010, the FASB issued ASU 2010-29, Disclosure of Supplementary Pro Forma Information for Business Combinations. The amendments in this update specify that, when presenting comparative financial statements, entities should disclose revenue and earnings of the combined entity as though the business combinations that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. ASU 2010-29 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. The amendments are effective prospectively for material (on an individual or an aggregate basis) business combinations entered into in fiscal years beginning on or after December 15, 2010. We adopted this amended standard on October 1, 2011, resulting in no effect on our financial position, operations or cash flows.

Note B: Acquisitions

Crediamigo

On January 30, 2012, we acquired a 60% interest in Crediamigo, a specialty consumer finance company, headquartered in Mexico City, with 45 loan servicing locations throughout the country, for total consideration of $60.1 million, net of cash acquired. This amount includes contingent consideration related to two earn out payments. If certain financial performance targets are achieved, during calendar years 2012 and 2013, we will make a payment to the sellers of $12.0 million dollars, each year, for a total amount of $24.0 million dollars. The purchase price above includes a fair value amount of $23.0 million attributable to the contingent consideration payments. This amount was calculated using a probability-weighted discounted cash flow approach, in which all outcomes were successful. The significant inputs used for the valuation are not observable in the market, and thus this fair value measurement represents a Level 3 measurement within the fair value hierarchy.

Pursuant to the Master Transaction Agreement, the sellers have a put option with respect to their remaining shares of Crediamigo. Each seller has the right to sell their Crediamigo shares to EZCORP, Inc., during the exercise period commencing on the second anniversary of the acquisition closing date and ending on the fifth anniversary of the acquisition closing date, with no more than 50% of the seller’s shares being sold within a consecutive twelve -month period. Under the guidance in ASC 480-10-S99, securities that are redeemable for cash or other assets are to be classified outside of permanent equity; therefore, we have included the redeemable noncontrolling interest related to Crediamigo in temporary equity.

The fair value of the redeemable noncontrolling interest in Crediamigo was estimated by applying an income approach and a market approach. This fair value measurement is based on significant inputs that are not observable in the market and thus represents a Level 3 measurement. Key assumptions include discount rates ranging from 10% to 18%, representing discounts for lack of control and lack of marketability that market participants would consider when estimating the fair value of the noncontrolling interest. The fair market value of Crediamigo was determined using a multiple of future earnings.

The nine-month period ended June 30, 2012, includes $18.2 million in revenues and $1.9 million in income related to the Crediamigo acquisition. The purchase price allocation is preliminary as we continue to receive information regarding the acquired assets. We have recorded provisional amounts for certain assets and liabilities for which we have not yet received all information necessary to finalize our assessment.

Cash Genie

On April 14, 2012, we acquired a 72% interest in Ariste Holding Limited and its affiliates, which provides online loans in the U.K under the name "Cash Genie." As this acquisition was individually immaterial, we present its related information, other than information related to the redeemable noncontrolling interest, on a combined basis.

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Pursuant to the acquisition agreement, the seller has a put option with respect to his remaining shares of Cash Genie. The seller has the right to sell his Cash Genie shares to EZCORP, Inc, during the exercise period commencing on the second anniversary of the acquisition closing date and ending on the fourth anniversary of the acquisition closing date, with no more than 50% of the seller's shares being sold within a consecutive 12 month period. Under the guidance in ASC 480-10-S99, securities that are redeemable for cash or other assets are to be classified outside of permanent equity; therefore, we have included the redeemable noncontrolling interest related to Cash Genie in temporary equity.

The fair value of the Cash Genie redeemable noncontrolling interest was estimated by applying an income and market approach. This fair value measurement is based on significant inputs that are not observable in the market and thus represents a Level 3 measurement. Key assumptions include discount rates ranging from 10% to 18%, representing discounts for lack of control and lack of marketability that market participants would consider when estimating the fair value of the noncontrolling interest. The fair market value of Cash Genie was determined using a multiple of future earnings.

Other

The nine-month period ended June 30, 2012, includes the acquisition of 48 locations in the U.S. and one in Canada. As these acquisitions, were individually immaterial, we present their related information on a combined basis.

The following tables provide information related to the acquisitions of domestic and foreign retail and financial services locations during the nine months ended June 30, 2012 and 2011:

	Nine Months Ended June 30,		
	2012		2011
	Crediamigo	Other Acquisitions	
Number of asset purchase acquisitions	0	6	7
Number of stock purchase acquisitions	1	4	3
U.S. stores acquired	0	48	32
Foreign stores acquired	45	1	0
Total stores acquired	45	49	32

	Nine Months Ended June 30,		
	2012		2011
	(In thousands)		
	Crediamigo	Other Acquisitions	
Consideration:			
Cash	$45,001	$ 91,843	$65,844
Equity instruments	—	17,984	—
Deferred consideration	5,785	—	—
Contingent consideration	23,000	—	—
Fair value of total consideration transferred	73,786	109,827	65,844
Cash acquired	(13,641)	(2,823)	(1,051)
Total purchase price	$60,145	$ 107,004	$64,793

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	Nine Months Ended June 30, (In thousands)		
	2012		2011
	Crediamigo	Other Acquisitions	
Current assets:			
Pawn loans, net	$—	$ 6,351	$6,865
Consumer loans, net	8,658	3,640	710
Service charges and fees receivable, net	18,844	1,839	1,136
Inventory, net	—	5,596	4,396
Deferred tax asset	—	217	449
Prepaid expenses and other assets	3,543	204	200
Total current assets	31,045	17,847	13,756
Property and equipment, net	2,326	3,965	861
Goodwill	54,765	96,946	49,231
Non-current consumer loans, net	52,228	—	—
Intangible assets	57,900	3,960	2,367
Other assets	16,833	291	82
Total assets	$215,097	$ 123,009	$66,297
Current liabilities:			
Accounts payable and other accrued expenses	$6,852	$ 5,335	$1,038
Customer layaway deposits	—	764	167
Current maturities of long-term debt	22,810	—	4
Other current liabilities	1,010	257	22
Total current liabilities	30,672	6,356	1,231
Deferred gains and other long-term liabilities	937	—	—
Long-term debt, less current maturities	86,872	—	—
Deferred tax liability	171	92	273
Total liabilities	118,652	6,448	1,504
Redeemable noncontrolling interest	36,300	9,557	—
Net assets acquired	$60,145	$ 107,004	$64,793
Goodwill deductible for tax purposes	$—	$ 45,786	$26,935
Indefinite lived intangible assets acquired:			
Trade name	$2,200	$ 2,706	$—
Definite lived intangible assets acquired:			
Favorable lease asset	$—	$ 404	$111
Non-compete agreements	$300	$ 400	$658
Contractual relationship	$55,400	$ 450	$—
Franchise license rights	$—	$ —	$1,598

All acquisitions were made as part of our continuing strategy to enhance and diversify our earnings. The factors contributing to the recognition of goodwill were based on several strategic and synergistic benefits we expect to realize from the acquisitions. These benefits include our initial entry into several markets and a greater presence in others, as well as the ability to further leverage our expense structure through increased scale. The purchase price allocation of assets acquired in the most recent twelve months is preliminary as we continue to receive information regarding the acquired assets. Transaction related expenses for the nine-month periods ended June 30, 2012 and 2011 of approximately $2.1 million and $0.8 million, respectively, were expensed as incurred and recorded as administrative expenses. These amounts exclude costs related to transactions that did not close and future acquisitions. The results of all acquisitions have been consolidated with our results since their respective closing. Pro forma results of operations have not been presented because it is impracticable to do so, as historical audited financial statements in

U.S. GAAP are not readily available.

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The amounts above for the nine months ended June 30, 2012 include the acquisition of a decision science model for the underwriting of consumer loans, a contractual relationship with an income tax return preparer to facilitate refund anticipation loans, an online lending business in the U.K. and 15 financial services stores in Hawaii and Texas, from FS Management, 1st Money Centers, Inc. and 1429 Funding, Inc., companies owned partially by Brent Turner, the former President of our eCommerce and Card Services division and a former executive officer, for total consideration of $3.0 million in cash and 387,924 shares of our Class A Non-Voting common stock. Mr. Turner received $2.0 million in cash and 167,811 shares of stock in connection with these acquisitions. The basic terms of the acquisitions were agreed prior to the commencement of Mr. Turner's employment (and, thus, prior to Mr. Turner's becoming an executive officer), subject to our completion of appropriate due diligence and the execution of appropriate definitive documentation. Even though the terms of the acquisitions were agreed to prior to Mr. Turner's becoming an executive officer, we treated the transactions as related party transactions. Consequently, pursuant to our Policy for Review and Evaluation of Related Party Transactions, the Audit Committee reviewed and evaluated the terms of the acquisitions and concluded that the transactions were fair to, and in the best interest of the company and its stockholders.

Note C: Earnings per Share

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

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2012	2011	2012	2011
	(In thousands, except per share amounts)			
Net income attributable to EZCORP, Inc. (A)	$28,523	$26,527	$105,136	$85,794
Weighted average outstanding shares of common stock (B)	51,162	49,926	50,769	49,849
Dilutive effect of stock options and restricted stock	178	459	273	443
Weighted average common stock and common stock equivalents (C)	51,340	50,385	51,042	50,292
Basic earnings per share (A/B)	$0.56	$0.53	$2.07	$1.72
Diluted earnings per share (A/C)	$0.56	$0.53	$2.06	$1.71
Potential common shares excluded from the calculation of diluted earnings per share	117	—	36	6

Note D: Strategic Investments and Fair Value of Financial Instruments

At June 30, 2012, we owned 16,644,640 ordinary shares of Albemarle & Bond Holdings, PLC, representing almost 30% of its total outstanding shares. Our total cost for those shares was approximately $27.6 million. Albemarle & Bond is primarily engaged in pawnbroking, retail jewelry sales, check cashing and lending in the United Kingdom. We account for the investment using the equity method. Since Albemarle & Bond's fiscal year ends three months prior to ours, we report the income from this investment on a three-month lag. Albemarle & Bond files semi-annual financial reports for its fiscal periods ending December 31 and June 30. The income reported for our year-to-date period ended June 30, 2012 represents our percentage interest in the results of Albemarle & Bond's operations from

July 1, 2011 to March 31, 2012.
Conversion of Albemarle & Bond's financial statements into U.S. GAAP resulted in no material differences from those reported by Albemarle & Bond following IFRS.

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In its functional currency of British pounds, Albemarle & Bond’s total assets increased 12% from December 31, 2010 to December 31, 2011 and its net income for the six months ended December 31, 2011 improved 16%. Below is summarized financial information for Albemarle & Bond’s most recently reported results after translation to U.S. dollars (using the exchange rate as of December 31 of each year for balance sheet items and average exchange rates for the income statement items for the periods indicated):

	As of December 31,	
	2011	2010
	(In thousands)	
Current assets	$134,387	$121,519
Non-current assets	65,354	56,755
Total assets	$199,741	$178,274
Current liabilities	$21,021	$25,801
Non-current liabilities	62,169	53,497
Shareholders’ equity	116,551	98,976
Total liabilities and shareholders’ equity	$199,741	$178,274

	Six Months Ended December 31,	
	2011	2010
	(In thousands)	
Gross revenues	$99,804	$76,424
Gross profit	58,165	46,745
Profit for the year (net income)	14,208	12,088

At June 30, 2012, we owned 124,418,000 shares, or approximately 33% of the total ordinary shares of Cash Converters International Limited, which is a publicly traded company headquartered in Perth, Australia. We acquired the shares between November 2009 and May 2010 for approximately $57.8 million. Cash Converters franchises and operates a worldwide network of over 600 specialty financial services and retail stores that provide pawn loans, short-term unsecured loans and other consumer finance products, and buy and sell second-hand goods. Cash Converters has significant store concentrations in Australia and the United Kingdom.

We account for our investment in Cash Converters using the equity method. Since Cash Converters’ fiscal year ends three months prior to ours, we report the income from this investment on a three-month lag. Cash Converters files semi-annual financial reports for its fiscal periods ending December 31 and June 30. Due to the three-month lag, income reported for our year-to-date period ended June 30, 2012 represents our percentage interest in the results of Cash Converters’ operations from July 1, 2011 to March 31, 2012.

Conversion of Cash Converters’ financial statements into U.S. GAAP resulted in no material differences from those reported by Cash Converters following IFRS.

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In its functional currency of Australian dollars, Cash Converters' total assets increased 17% from December 31, 2010 to December 31, 2011 and its net income decreased 7% for the six months ended December 31, 2011. Below is summarized financial information for Cash Converters' most recently reported results after translation to U.S. dollars (using the exchange rate as of December 31 of each year for balance sheet items and average exchange rates for the income statement items for the periods indicated):

	As of December 31,	
	2011	2010
	(In thousands)	
Current assets	$128,289	$104,408
Non-current assets	121,835	109,336
Total assets	$250,124	$213,744
Current liabilities	$33,290	$30,844
Non-current liabilities	37,797	11,970
Shareholders' equity	179,037	170,930
Total liabilities and shareholders' equity	$250,124	$213,744

	Six Months Ended December 31,	
	2011	2010
	(In thousands)	
Gross revenues	$115,256	$82,343
Gross profit	76,405	57,038
Profit for the year (net income)	13,668	13,528

The table below summarizes the recorded value and fair value of each of these strategic investments at the dates indicated. These fair values are considered Level 1 estimates within the fair value hierarchy of FASB ASC 820-10-50, and were calculated as (a) the quoted stock price on each company's principal market multiplied by (b) the number of shares we owned multiplied by (c) the applicable foreign currency exchange rate at the dates indicated. We included no control premium for owning a large percentage of outstanding shares.

	June 30,		September 30,
	2012	2011	2011
	(In thousands of U.S. dollars)		
Albemarle & Bond:			
Recorded value	$51,156	$46,457	$48,361
Fair value	63,677	99,180	91,741
Cash Converters:			
Recorded value	$74,153	$68,320	$71,958
Fair value	80,894	94,911	53,600

In August 2011, legislation was proposed in Australia that would, among other things, limit the interest charged on certain consumer loans and prohibit loan extensions and refinancing. That legislation, as proposed, could have adversely affected, Cash Converters' consumer loan business in Australia, which could have the effect of decreasing Cash Converters' revenues and earnings. As of September 30, 2011, the fair value of our investment in Cash Converters (based on the market price of Cash Converters' stock as of that date) was below our recorded value. In light of Cash Converters' statements at that time regarding its ability to mitigate the potential impact of the proposed legislation, we considered this loss in value to be temporary. The Consumer Credit and Corporations Legislation Amendment (Enhancements) Bill 2011 was passed by the Australian House of Representatives in June 2012. The Bill incorporates amendments that increase permitted fees and charges for microlending. The Bill is expected to be approved by the Australian Senate in September and to go into effect on July 1, 2013. As of June 30, 2012, the fair value of our investment in Cash Converters was above our recorded value, further supporting our assessment of the loss in value of its stock to be temporary.

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Note E: Goodwill and Other Intangible Assets

The following table presents the balance of each major class of indefinite-lived intangible asset at the specified dates:

	June 30, 2012	2011	September 30, 2011
	(In thousands)		
Pawn licenses	$8,836	$8,836	$8,836
Trade name	9,621	4,870	4,870
Goodwill	321,423	167,017	173,206
Total	$339,880	$180,723	$186,912

The following tables present the changes in the carrying value of goodwill, by segment, over the periods presented:

	U.S. & Canada	Latin America	Other International	Consolidated
	(In thousands)			
Balance at September 30, 2011	$163,897	$9,309	$—	$173,206
Acquisitions	57,653	54,765	39,293	151,711
Effect of foreign currency translation changes	(1)	(2,752)	(741)	(3,494)
Balance at June 30, 2012	$221,549	$61,322	$38,552	$321,423

	U.S. & Canada	Latin America	Other International	Consolidated
	(In thousands)			
Balance at September 30, 2010	$110,255	$7,050	$—	$117,305
Acquisitions	49,317	—	—	49,317
Effect of foreign currency translation changes	—	395	—	395
Balance at June 30, 2011	$159,572	$7,445	$—	$167,017

The following table presents the gross carrying amount and accumulated amortization for each major class of definite-lived intangible asset at the specified dates:

	June 30, 2012			2011			September 30, 2011		
	Carrying Amount	Accumulated Amortization	Net Book Value	Carrying Amount	Accumulated Amortization	Net Book Value	Carrying Amount	Accumulated Amortization	Net Book Value
	(In thousands)								
Real estate finders' fees	$1,373	$ (553)	$820	$1,147	$ (465)	$682	$1,157	$ (479)	$678
Non-compete agreements	4,356	(2,993)	1,363	3,837	(2,472)	1,365	3,722	(2,459)	1,263
Favorable lease	1,159	(409)	750	755	(289)	466	755	(322)	433
Franchise rights	1,559	(82)	1,477	1,636	(17)	1,619	1,547	(32)	1,515
Deferred financing costs	7,512	(2,945)	4,567	2,413	(113)	2,300	2,411	(262)	2,149
Contractual relationship	53,226	(2,299)	50,927	—	—	—	—	—	—

Other	333	(28	) 305	66	(11	) 55	58	(12	) 46
Total	$69,518	$ (9,309	) $60,209	$9,854	$ (3,367	) $6,487	$9,650	$ (3,566	) $6,084

The amortization of most definite-lived intangible assets is recorded as amortization expense. The favorable lease asset and

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other intangibles are amortized to operations expense (rent expense) over the related lease terms. The deferred financing costs are amortized to interest expense over the life of our credit agreement. The following table presents the amount and classification of amortization recognized as expense in each of the periods presented:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2012	2011	2012	2011
	(In thousands)			
Amortization expense	$1,162	$221	$3,086	$654
Operations expense	49	28	103	76
Interest expense	569	252	1,164	464
Total expense from the amortization of definite-lived intangible assets	$1,780	$501	$4,353	$1,194

The following table presents our estimate of amortization expense for definite-lived intangible assets:

Fiscal Years Ended September 30,	Amortization expense	Operations expense	Interest expense
	(In thousands)		
2012	$2,321	$138	$1,017
2013	6,063	136	2,112
2014	5,825	125	1,383
2015	5,558	113	442
2016	5,500	111	—

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

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Note F: Long-term Debt

The table presents our long-term debt instruments and balances under capital lease obligations outstanding at June 30, 2012 and 2011 and September 30, 2011 (in thousands):

	June 30, 2012		June 30,	September 30,
	Carrying Amount	Debt Premium	2011	2011
Recourse to EZCORP:				
Domestic line of credit up to $175,000 due 2015	$114,700	$—	$26,500	$17,500
Capital lease obligations	1,159	—	—	—
Non-recourse to EZCORP:				
Secured foreign currency line of credit up to $3,700 due 2014	2,803	210	—	—
Secured foreign currency line of credit up to $71,800 due 2015	58,455	9,004	—	—
Secured foreign currency line of credit up to $21,975 due 2017	6,903	—	—	—
10% unsecured notes due 2013	1,570	—	—	—
16% unsecured notes due 2013	5,013	174	—	—
20% unsecured notes due 2013	11,725	1,511	—	—
10% unsecured notes due 2014	906	—	—	—
10% unsecured notes due 2015	402	—	—	—
18% secured notes due 2015	4,273	611	—	—
10% unsecured notes due 2016	116	—	—	—
Total long-term obligations	$208,025	$11,510	$26,500	$17,500
Less current portion	31,521	—	—	—
Total long-term and capital lease obligations	$176,504	$11,510	$26,500	$17,500

On May 10, 2011, we entered into a new senior secured credit agreement with a syndicate of five banks, replacing our previous credit agreement. Among other things, the new credit agreement provides for a four year $175 million revolving credit facility that we may, under the terms of the agreement, request to be increased to a total of $225 million. Upon entering the new credit agreement, we repaid and retired our $17.5 million outstanding debt. The new credit facility increases our available credit and provides greater flexibility to make investments and acquisitions both domestically and internationally.

Pursuant to the credit agreement, we may choose to pay interest to the lenders for outstanding borrowings at LIBOR plus 200 to 275 basis points or the bank's base rate plus 100 to 175 basis points, depending on our leverage ratio computed at the end of each calendar quarter. On the unused amount of the credit facility, we pay a commitment fee of 37.5 to 50 basis points depending on our leverage ratio calculated at the end of each quarter. Terms of the credit agreement require, among other things, that we meet certain financial covenants. At June 30, 2012, we were in compliance with all covenants. We expect the recorded value of our debt to approximate its fair value, as it is all variable rate debt and carries no pre-payment penalty, and would be considered a level 3 estimate within the fair value hierarchy.

Deferred financing costs related to our credit agreement are included in intangible assets, net on the balance sheet and are being amortized to interest expense over the term of the agreement.

On January 30, 2012, we acquired a 60% ownership interest in Crediamigo, a specialty consumer finance company headquartered in Mexico City. Non-recourse debt amounts in the table above represent Crediamigo’s third party debt. All lines of credit are guaranteed by the Crediamigo loan portfolio. Interest on lines of credit due 2014 and 2015 is charged at the Mexican Interbank Equilibrium ("TIIE") plus a margin varying from 9% to 20%. The line of credit due 2014 requires monthly payments of $0.1 million with remaining principal due at maturity. The line of credit due 2015 requires monthly payments of $0.8 million increasing to $1.9 million on November 30, 2012, with the remaining principal due at maturity. Beginning September 30, 2012, the 18% secured notes require monthly payments of $0.1 million with remaining principal due at maturity. The debt premium on Crediamigo's debt was recorded at acquisition and is being amortized as a reduction of interest expense over the life of the debt. We expect the recorded value of our debt to approximate its fair value and would be considered level 3 estimates within the fair value hierarchy.

On June 29, 2012 Crediamigo renegotiated their revolving line of credit originally due 2016. The interest rate was decreased

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from 20% to 14.5% and the term was extended 6 months, now being due at the end of April 2017. The maximum borrowing capacity was also raised from $14.6 million to $22.0 million. Due to the substantial improvement in the renegotiated terms, the remaining unamortized premium of $2.8 million, valued at acquisition, was accelerated and recognized as a reduction to interest expense in the current quarter.
Included in the amounts above are notes due to Crediamigo's shareholders, which are presented in the table below (in thousands):

	June 30, 2012
16% unsecured notes due 2013	$5,013
10% unsecured notes due 2014	906
Secured foreign currency line of credit due 2015	10,284
Total debt to stockholders	$16,203

Note G: Stock Compensation
Our net income includes the following compensation costs related to our stock compensation arrangements:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2012	2011	2012	2011
	(In thousands)			
Gross compensation costs	$1,953	$1,508	$5,191	$11,536
Income tax benefits	(650)	(499)	(1,666)	(3,952)
Net compensation expense	$1,303	$1,009	$3,525	$7,584

Included in the compensation cost for the nine months ended June 30, 2011 is $7.3 million for the accelerated vesting of restricted stock upon the retirement of our former Chief Executive Officer on October 31, 2010, and a related $2.5 million income tax benefit. In the current quarter, stock option exercises resulted in the issuance of 5,400 shares for immaterial proceeds. In the nine-month period ended June 30, 2012, stock option exercises resulted in the issuance of 201,298 shares for total proceeds of $0.6 million. All options and restricted stock relate to our Class A Non-voting Common Stock.

Note H: Income Taxes
Income tax expense is provided at the U.S. tax rate on financial statement earnings, adjusted for the difference between the U.S. tax rate and the rate of tax in effect for non-U.S. earnings deemed to be permanently reinvested in the Company's non-U.S. operations. Deferred income taxes have not been provided for the potential remittance of non-U.S. undistributed earnings to the extent those earnings are deemed to be permanently reinvested, or to the extent such recognition would result in a deferred tax asset.
The current quarter's effective tax rate is 29.8% of pretax income compared to 34.7% for the prior year quarter. For the current nine-month period, the effective tax rate is 33.1% compared to 35.2% in the prior nine-month period. The decrease in the effective tax rates is primarily due to the determination that the undistributed earnings of non-U.S. subsidiaries on which income taxes were previously recorded will not be repatriated in the foreseeable future, as well as the recognition of state net operating losses.

Note I: Contingencies
Currently and from time to time, we are defendants in various legal and regulatory actions. While we cannot determine the ultimate outcome of these actions, we believe their resolution will not have a material adverse effect on our financial condition, results of operations or liquidity. However, we cannot give any assurance as to their ultimate outcome.

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Note J: Operating Segment Information

Segment information is prepared on the same basis that our management reviews financial information for operational decision-making purposes. Previously, we reported segment information based primarily on product offerings. Beginning with the second quarter of fiscal 2012, we redefined our reportable operating segments based on geography as our company is increasingly being organized and managed along geographic lines, with product offerings and channels based on local custom and regulation. As a result, we concluded that segment reporting based on geography more closely aligns with our management organization and strategic direction.

For periods ending after January 1, 2012, we will report segments as follows:

- U.S. & Canada – All business activities in the United States and Canada
- Latin America – All business activities in Mexico and other parts of Latin America
- Other International – All business activities in the rest of the world (currently consisting of consumer loans online in the U.K. and our equity interests in the net income of Albemarle & Bond and Cash Converters International)

Concurrent with the change in reportable operating segments, we revised our prior period financial information to reflect comparable financial information for the new segment structure.

There are no inter-segment revenues, and the amounts below were determined in accordance with the same accounting principles used in our consolidated financial statements. The following tables present operating segment information for the three and nine-month periods ending June 30, 2012 and 2011, including the reclassifications discussed in Note A "Significant Accounting Policies."

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	Three Months Ended June 30, 2012			
	U.S. & Canada	Latin America	Other International	Consolidated
	(In thousands)			
Revenues:				
Merchandise sales	$65,799	$10,159	$—	$75,958
Jewelry scrapping sales	37,456	4,518	—	41,974
Pawn service charges	49,979	6,184	—	56,163
Consumer loan fees	39,243	10,381	3,880	53,504
Other revenues	649	558	158	1,365
Total revenues	193,126	31,800	4,038	228,964
Merchandise cost of goods sold	38,519	5,735	—	44,254
Jewelry scrapping cost of goods sold	24,415	3,784	—	28,199
Consumer loan bad debt	9,368	632	1,251	11,251
Net revenues	120,824	21,649	2,787	145,260
Operating expenses:				
Store operations	65,975	8,792	942	75,709
Administrative	5,970	4,335	1,870	12,175
Depreciation	3,622	1,054	73	4,749
Amortization	142	999	21	1,162
(Gain) loss on sale or disposal of assets	93	(4)	223	312
Interest, net	(1)	22	(1)	20
Equity in net income of unconsolidated affiliates	—	—	(4,197)	(4,197)
Other	614	(13)	(441)	160
Segment contribution	$44,409	$6,464	$4,297	$55,170
Corporate expenses:				
Administrative				10,522
Depreciation				1,466
Interest, net				877
Income before taxes				42,305
Income tax expense				12,594
Net income				29,711
Net income attributable to redeemable noncontrolling interest				1,188
Net income attributable to EZCORP, Inc.				$28,523

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	Three Months Ended June 30, 2011			
	U.S. & Canada	Latin America	Other International	Consolidated
	(In thousands)			
Revenues:				
Merchandise sales	$58,173	$6,401	$—	$64,574
Jewelry scrapping sales	46,514	4,257	—	50,771
Pawn service charges	43,846	4,519	—	48,365
Consumer loan fees	38,870	—	—	38,870
Other revenues	566	6	—	572
Total revenues	187,969	15,183	—	203,152
Merchandise cost of goods sold	32,924	3,767	—	36,691
Jewelry scrapping cost of goods sold	28,951	3,486	—	32,437
Consumer loan bad debt	11,027	—	—	11,027
Net revenues	115,067	7,930	—	122,997
Operating expenses:				
Store operations	61,347	5,406	—	66,753
Administrative	4,293	1,014	506	5,813
Depreciation	2,828	639	—	3,467
Amortization	117	104	—	221
Loss on sale or disposal of assets	157	12	—	169
Interest, net	20	2	—	22
Equity in net income of unconsolidated affiliates	—	—	(4,099)	(4,099)
Other	2	2	(107)	(103)
Segment contribution	$46,303	$751	$3,700	$50,754
Corporate expenses:				
Administrative				8,566
Depreciation				991
Interest, net				543
Income before taxes				40,654
Income tax expense				14,127
Net income				26,527
Net income attributable to redeemable noncontrolling interest				—
Net income attributable to EZCORP, Inc.				$26,527

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	Nine Months Ended June 30, 2012			
	U.S. & Canada	Latin America	Other International	Consolidated
	(In thousands)			
Revenues:				
Merchandise sales	$227,849	$30,000	$—	$257,849
Jewelry scrapping sales	139,736	11,816	—	151,552
Pawn service charges	154,854	17,545	—	172,399
Consumer loan fees	127,061	17,764	4,086	148,911
Other revenues	2,444	802	158	3,404
Total revenues	651,944	77,927	4,244	734,115
Merchandise cost of goods sold	132,469	16,061	—	148,530
Jewelry scrapping cost of goods sold	87,102	8,831	—	95,933
Consumer loan bad debt	26,136	1,140	1,466	28,742
Net revenues	406,237	51,895	2,778	460,910
Operating expenses:				
Store operations	203,190	23,001	1,288	227,479
Administrative	17,841	9,964	2,292	30,097
Depreciation	10,121	2,576	109	12,806
Amortization	414	2,651	21	3,086
(Gain) loss on sale or disposal of assets	(82)	(3)	223	138
Interest, net	3	1,755	(1)	1,757
Equity in net income of unconsolidated affiliates	—	—	(12,935)	(12,935)
Other	345	3	(505)	(157)
Segment contribution	$174,405	$11,948	$12,286	$198,639
Corporate expenses:				
Administrative				33,664
Depreciation				3,999
Interest, net				1,937
Income before taxes				159,039
Income tax expense				52,603
Net income				106,436
Net income attributable to redeemable noncontrolling interest				1,300
Net income attributable to EZCORP, Inc.				$105,136

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	Nine Months Ended June 30, 2011			
	U.S. & Canada	Latin America	Other International	Consolidated
	(In thousands)			
Revenues:				
Merchandise sales	$196,898	$17,329	$—	$214,227
Jewelry scrapping sales	138,068	11,363	—	149,431
Pawn service charges	133,355	11,589	—	144,944
Consumer loan fees	125,652	—	—	125,652
Other revenues	944	34	—	978
Total revenues	594,917	40,315	—	635,232
Merchandise cost of goods sold	112,605	10,036	—	122,641
Jewelry scrapping cost of goods sold	87,416	9,201	—	96,617
Consumer loan bad debt	27,795	—	—	27,795
Net revenues	367,101	21,078	—	388,179
Operating expenses:				
Store operations	182,769	14,533	—	197,302
Administrative	14,103	3,030	558	17,691
Depreciation	8,194	1,723	—	9,917
Amortization	353	301	—	654
(Gain) loss on sale or disposal of assets	(15)	13	—	(2)
Interest, net	20	4	—	24
Equity in net income of unconsolidated affiliates	—	—	(12,157)	(12,157)
Other	5	3	(168)	(160)
Segment contribution	$161,672	$1,471	$11,767	$174,910
Corporate expenses:				
Administrative				38,559
Depreciation				2,753
Interest, net				1,127
Income before taxes				132,471
Income tax expense				46,677
Net income				85,794
Net income attributable to redeemable noncontrolling interest				—
Net income attributable to EZCORP, Inc.				$85,794

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The following table presents separately identified segment assets:

	U.S. & Canada (In thousands)	Latin America	Other International	Consolidated
Assets at June 30, 2012:				
Cash and cash equivalents	$18,789	$17,708	$1,638	$38,135
Pawn loans, net	134,064	13,439	—	147,503
Consumer loans, net	17,247	59,989	1,838	79,074
Service charges and fees receivable, net	30,555	20,721	545	51,821
Inventory, net	82,631	11,790	—	94,421
Property and equipment, net	57,532	20,338	1,400	79,270
Goodwill, net	221,549	61,322	38,552	321,423
Intangibles, net	17,597	56,541	2,830	76,968
Total separately identified recorded segment assets	$579,964	$261,848	$46,803	$888,615
Consumer loans outstanding from unaffiliated lenders	$23,466	$—	$—	$23,466
Assets at June 30, 2011:				
Cash and cash equivalents	$6,198	$2,873	$—	$9,071
Pawn loans, net	124,810	9,823	—	134,633
Consumer loans, net	14,437	—	—	14,437
Service charges and fees receivable, net	29,732	1,524	—	31,256
Inventory, net	70,631	8,400	—	79,031
Property and equipment, net	49,366	12,939	—	62,305
Goodwill, net	159,572	7,445	—	167,017
Intangibles, net	16,953	942	—	17,895
Total separately identified recorded segment assets	$471,699	$43,946	$—	$515,645
Consumer loans outstanding from unaffiliated lenders	$26,299	$—	$—	$26,299
Assets at September 30, 2011:				
Cash and cash equivalents	$10,040	$1,496	$—	$11,536
Pawn loans, net	134,457	10,861	—	145,318
Consumer loans, net	14,611	—	—	14,611
Service charges and fees receivable, net	31,567	1,663	—	33,230
Inventory, net	81,859	8,514	—	90,373
Property and equipment, net	51,469	12,769	—	64,238
Goodwill, net	163,897	9,309	—	173,206
Intangibles, net	16,775	867	—	17,642
Total separately identified recorded segment assets	$504,675	$45,479	$—	$550,154
Consumer loans outstanding from unaffiliated lenders	$27,040	$—	$—	$27,040

The following table reconciles separately identified recorded segment assets, as shown above, to our consolidated total assets:

	June 30, 2012 (In thousands)	2011	September 30, 2011
Total separately identified recorded segment assets	$888,615	$515,645	$550,154
Corporate assets	249,458	197,976	206,296
Total assets	$1,138,073	$713,621	$756,450

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The following tables provide geographic information required by ASC 280-10-50-41:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2012	2011	2012	2011
	(In thousands)			
Revenues:				
U.S.	$188,573	$184,903	$639,778	$587,845
Mexico	31,800	15,183	77,927	40,315
Canada	4,553	3,066	12,166	7,072
U.K	4,038	—	4,244	—
Total	228,964	203,152	734,115	635,232

	June 30,		September 30,
	2012	2011	2011
	(In thousands)		
Long-lived assets:			
U.S.	$309,168	$233,637	$240,661
Mexico	138,202	21,326	7,888
Canada	10,133	7,295	22,945
U.K	42,782	—	—
Total	$500,285	$262,258	$271,494

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Note K: Allowance for Losses and Credit Quality of Financing Receivables

We offer a variety of loan products and credit services to customers who do not have cash resources or access to credit to meet their cash needs. Our customers are considered to be in a higher risk pool with regard to creditworthiness when compared to those of typical financial institutions. As a result, our receivables do not have a credit risk profile that can easily be measured by the normal credit quality indicators used by the financial markets. We manage the risk through closely monitoring the performance of the portfolio and through our underwriting process. This process includes review of customer information, such as making a credit reporting agency inquiry, evaluating and verifying income sources and levels, verifying employment and verifying a telephone number where customers may be contacted. For auto title loans, we additionally inspect the automobile, title and reference to market values of used automobiles.

We consider consumer loans made by our wholly owned subsidiaries defaulted if they have not been repaid or renewed by the maturity date. If one payment of an installment loan is delinquent, that one payment is considered defaulted. If more than one installment payment is delinquent at any time, the entire installment loan is considered defaulted. Although defaulted loans may be collected later, we charge the loan principal to consumer loan bad debt upon default, leaving only active loans in the reported balance. Accrued fees related to defaulted loans reduce fee revenue upon loan default, and increase fee revenue upon collection.

Based on historical collection experience, the age of past-due loans and amounts we expect to receive through the sale of repossessed vehicles, we provide an allowance for losses on auto title loans.

The Crediamigo acquisition marked our initial entry into unsecured consumer lending in Mexico. Crediamigo consumer loans are considered defaulted once the customer is no longer employed, and therefore we are no longer entitled to payments via payroll withholdings. Once we receive notice that the customer's employment has been terminated, we charge the loan principal to consumer loan bad debt, leaving only active loans in the reported balance. Accrued fees related to defaulted loans reduce fee revenue upon default, and increase fee revenue upon collection.

The accuracy of our allowance estimates is dependent upon several factors, including our ability to predict future default rates based on historical trends and expected future events. We base our estimates on observable trends and various other assumptions that we believe to be reasonable under the circumstances.

The following table presents changes in the allowance for credit losses as well as the recorded investment in our financing receivables by portfolio segment for the periods presented:

Description	Allowance Balance at Beginning of Period	Charge-offs	Recoveries	Provision	Translation Adjustment	Allowance Balance at End of Period	Financing Receivable at End of Period
	(In thousands)						
Unsecured short-term consumer loans:							
Three Months Ended June 30, 2012	$2,118	$ (8,900)	$ 3,974	$5,047	$ (12)	$ 2,227	$ 17,640
Three Months Ended June 30, 2011	$1,110	$ (4,747)	$ 1,505	$3,796	$ —	$ 1,664	$ 13,753
Nine Months Ended June 30, 2012	$2,404	$ (17,853)	$ 7,676	$10,012	$ (12)	$ 2,227	$ 17,640
Nine Months Ended June 30, 2011	$750	$ (12,992)	$ 4,575	$9,331	$ —	$ 1,664	$ 13,753
Secured short-term consumer loans:							
Three Months Ended June 30, 2012	$708	$ (5,410)	$ 4,836	$462	$ —	$ 596	$ 4,267
Three Months Ended June 30, 2011	$810	$ (2,800)	$ 2,074	$489	$ —	$ 573	$ 2,921
Nine Months Ended June 30, 2012	$538	$ (13,177)	$ 11,478	$1,757	$ —	$ 596	$ 4,267
Nine Months Ended June 30, 2011	$1,137	$ (9,682)	$ 7,646	$1,472	$ —	$ 573	$ 2,921
Unsecured long-term consumer loans:							
Three Months Ended June 30, 2012	$166	$ (780)	$ 288	$603	$ (10)	$ 267	$ 60,256
Nine Months Ended June 30, 2012	$—	$ (1,351)	$ 519	$1,111	$ (12)	$ 267	$ 60,256

The provisions presented in the table above include only principal and excludes items such as non-sufficient funds fees, repossession fees, auction fees and interest. In addition, all credit service expenses and fees related to loans made by our unaffiliated lenders are excluded, as we do not own the loans made in connection with our credit services and they are not recorded as assets on our balance sheets. Expected losses on credit services are accrued and reported in “Accounts payable and

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other accrued expenses” on our balance sheets.
Auto title loans are our only consumer loans (other than those made by Crediamigo) that remain as recorded investments when in delinquent or nonaccrual status. We consider an auto title loan past due if it has not been repaid or renewed by the maturity date. Based on experience, we establish a reserve on all auto title loans. On auto title loans more than 90 days past due, we reserve the percentage we estimate will not be recoverable through auction and reserve 100% of loans for which we have not yet repossessed the underlying collateral. No fees are accrued on any auto title loans more than 90 days past due.
Consumer loans made by Crediamigo remain on the balance sheet as recorded investments when in delinquent status. We consider a consumer loan past due if it has not been repaid or renewed by the maturity date; however, it is not unusual to have a lag in payments due to the time it takes the government agencies to setup the initial payroll withholding. Only those consumer loans made to customers that are no longer employed are considered in nonaccrual status. We establish a reserve on all consumer loans, based on historical experience. No fees are accrued on any consumer loans made to customers that are no longer employed.

The following table presents an aging analysis of past due financing receivables by portfolio segment:

	Days Past Due				Total	Current	Fair Value	Total Financing	Allowance	Recorded Investment > 90 Days &
	1-30	31-60	61-90	>90	Past Due	Receivable	Adjustment	Receivable	Balance	Accruing
	(In thousands)									
Secured short-term consumer loans										
June 30, 2012										
Consumer loans	$838	$360	$239	$246	$1,683	$ 2,584	$ —	$ 4,267	$ 596	$ —
June 30, 2011										
Consumer loans	$575	$382	$245	$285	$1,487	$ 1,434	$ —	$ 2,921	$ 573	$ —
September 30, 2011										
Consumer loans	$840	$479	$283	$219	$1,821	$ 1,939	$ —	$ 3,760	$ 538	$ —
Unsecured long-term consumer loans: *										
June 30, 2012										
Consumer loans	$2,645	$23,532	$403	$4,282	$30,862	$ 36,555	$ (7,161)	$ 60,256	$ 267	$ 3,987

* Unsecured long-term consumer loans amounts only existed in periods after the acquisition of Crediamigo.

Note L: Fair Value Measurements
In accordance with FASB ASC 820-10, Fair Value Measurements and Disclosures, our 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: Other observable inputs other than quoted market prices.
Level 3: Unobservable inputs that are not corroborated by market data.

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The tables below present our financial assets that are measured at fair value on a recurring basis as of June 30, 2012 and 2011 and September 30, 2011:

Financial assets:	June 30, 2012	Fair Value Measurements Using Level 1	Level 2	Level 3
	(In thousands)			
Marketable equity securities	$4,520	$4,520	$—	$—
Financial assets:	June 30, 2011	Fair Value Measurements Using Level 1	Level 2	Level 3
	(In thousands)			
Marketable equity securities	$5,422	$5,422	$—	$—
Financial assets:	September 30, 2011	Fair Value Measurements Using Level 1	Level 2	Level 3
	(In thousands)			
Marketable equity securities	$5,366	$5,366	$—	$—

We measure the value of our marketable equity securities under a Level 1 input. These assets are publicly traded equity securities for which market prices are readily available. There were no transfers of assets in or out of Level 1 fair value measurements in the periods presented.

Note M: Derivative Instruments and Hedging Activities

Our earnings and financial position are affected by changes in gold values. In fiscal year 2012, we began using derivative financial instruments in order to manage our commodity price risk associated with the forecasted sales of gold scrap. These derivatives are not designated as hedges, and according to FASB ASC 815-20-25, “Derivatives and Hedging – Recognition,” changes in their fair value are recorded directly in earnings. As of June 30, 2012, we had no balance outstanding recorded on our balance sheet.

The table below presents the effect of our derivative financial instruments on the Condensed Consolidated Statements of Operations for three months and nine months ended June 30, 2012 and 2011:

		(Gains) Losses Recognized in Income			
		Three Months Ended June 30,		Nine Months Ended June 30,	
Derivative Instrument	Location of (Gain) or Loss	2012	2011	2012	2011
		(In thousands)			
Non-designated derivatives:					
Gold Collar	Other (income) expense	$—	$—	$(151)	$—

Note N: Condensed Consolidating Financial Information

On February 3, 2012, we filed with the United States Securities and Exchange Commission a “shelf” registration statement on Form S-3 registering the offer and sale of an indeterminate amount of a variety of securities, including debt securities. Unless otherwise indicated in connection with a particular offering of debt securities, each of our domestic subsidiaries will fully and unconditionally guarantee on a joint and several basis our payment obligations under such debt securities.

In accordance with Rule 3-10(d) of Regulation S-X, the following presents condensed consolidating financial information as of June 30, 2012 and 2011 and for the current and prior three and nine-month periods then ended and as of September 30, 2011 for EZCORP, Inc. (the “Parent”), each of the Parent’s domestic subsidiaries (the “Subsidiary Guarantors”) on a combined basis and each of the Parent’s other subsidiaries (the “Other Subsidiaries”) on a combined basis. Eliminating entries presented are necessary to combine the groups of entities.

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Condensed Consolidating Balance Sheets

	June 30, 2012 (Unaudited) (In thousands)				
	Parent	Subsidiary Guarantors	Other Subsidiaries	Eliminations	Consolidated
Assets:					
Current assets:					
Cash and cash equivalents	$703	$28,674	$21,397	$—	$50,774
Cash, restricted	—	—	1,051	—	1,051
Pawn loans, net	—	134,064	13,439	—	147,503
Consumer loans, net	—	14,928	13,559	—	28,487
Pawn service charges receivable, net	—	24,041	2,051	—	26,092
Consumer loan fees receivable, net	—	6,026	19,703	—	25,729
Inventory, net	—	81,355	13,066	—	94,421
Deferred tax asset	12,747	5,479	—	—	18,226
Receivable from affiliates	202,619	83,050	—	(285,669)	—
Federal income tax receivable	9,732	506	(340)	—	9,898
Prepaid expenses and other assets	42	35,840	4,386	—	40,268
Total current assets	225,843	413,963	88,312	(285,669)	442,449
Investments in unconsolidated affiliates	51,156	74,153	—	—	125,309
Investments in subsidiaries	135,412	72,946	—	(208,358)	—
Property and equipment, net	—	69,911	30,285	—	100,196
Goodwill	—	221,519	99,904	—	321,423
Intangible assets, net	1,698	15,998	60,970	—	78,666
Non-current consumer loans, net	—	—	50,587	—	50,587
Other assets, net	—	8,633	10,810	—	19,443
Total assets	$414,109	$877,123	$340,868	$(494,027)	$1,138,073
Liabilities and stockholders’ equity:					
Current liabilities:					
Current maturities of long-term debt	$—	$—	$31,126	$—	$31,126
Current capital lease obligations	—	395	—	—	395
Accounts payable and other accrued expenses	95	46,495	24,106	—	70,696
Customer layaway deposits	—	5,884	856	—	6,740
Intercompany payables	(170,788)	371,474	84,983	(285,669)	—
Federal income taxes payable	9,875	(6,168)	(3,707)	—	—
Total current liabilities	(160,818)	418,080	137,364	(285,669)	108,957
Long-term debt, less current maturities	114,700	—	61,040	—	175,740
Long-term capital lease obligations	—	764	—	—	764
Deferred tax liability	6,522	1,266	—	—	7,788
Deferred gains and other long-term liabilities	—	1,880	12,307	—	14,187
Total liabilities	(39,596)	421,990	210,711	(285,669)	307,436
Commitments and contingencies					