EZCORP INC
Form 10-K
December 14, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended September 30, 2016
or
o 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. 000-19424

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

Delaware	74-2540145
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2500 Bee Cave Road, Bldg One, Suite 200, Rollingwood, Texas	78746
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (512) 314-3400
Securities Registered Pursuant to Section 12(b) of the Act

Title of Each Class	Name of Each Exchange on Which Registered
Class A Non-voting Common Stock, $.01 par value per share	The NASDAQ Stock Market (NASDAQ Global Select Market)

Securities Registered Pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ
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 þ No o
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 þ No o
Indicate by check mark if disclosures of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o
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 Ac

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o	Smaller reporting company o
		(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 o No þ

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 a single stockholder. There is no trading market for the Class B Voting Common Stock. The aggregate market value of the Class A Non-Voting Common Stock held by non-affiliates of the registrant was $161 million, based on the closing price on the NASDAQ Stock Market on March 31, 2016.

As of November 30, 2016, 51,108,575 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.

Documents incorporated by reference: None

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PART I

This report contains forward-looking statements that reflect our future plans, estimates, beliefs and expected performance. Our actual results may differ materially from those currently anticipated and expressed or implied by those forward-looking statements because of a number of risks and uncertainties, including those discussed under “Part I, Item 1A — Risk Factors.” We caution that assumptions, expectations, projections, intentions or beliefs about future events may, and often do, vary from actual results, and the differences can be material. See also “Part II, Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Cautionary Statement Regarding Risks and Uncertainties That May Affect Future Results.”

Unless otherwise specified, references to the “company,” “we,” “our,” “us” and “EZCORP” refer to EZCORP, Inc. and its consolidated subsidiaries. References to a “fiscal” year refer to our fiscal year ended September 30 of the specified year. For example, “fiscal 2016” refers to the fiscal year ended September 30, 2016. All currency amounts preceded with “$” are stated in U.S. dollars, except otherwise indicated.

ITEM 1 — BUSINESS

Overview

EZCORP, Inc. is a Delaware corporation headquartered in Austin, Texas. We are a leading provider of pawn loans in the United States and Mexico with approximately 5,600 team members.

Our vision is to be the market leader in North America in responsibly and respectfully meeting our customers’ desire for access to cash when they want it. That vision is supported by four key imperatives:

- Market Leading Customer Satisfaction;
- Exceptional Staff Engagement;
- Attractive Shareholder Returns; and
- Most Efficient Provider of Cash.

At our pawn stores (520 in the U.S. and 239 in Mexico), we offer pawn loans, which are non-recourse loans collateralized by tangible property, and we sell merchandise, primarily collateral forfeited from pawn lending operations and used merchandise purchased from customers.

In addition to our core pawn business in the U.S. and Mexico, we operate 27 CASHMAX financial services locations in Canada and own 31% of Cash Converters International Limited (“Cash Converters International”), based in Australia, which franchises and operates a worldwide network of nearly 700 locations that provide financial services and also buy and sell second-hand goods.

During fiscal 2016, we disposed of our 94%-owned subsidiary, Prestaciones Finmart, S.A.P.I. de C.V., SOFOM, E.N.R. ("Grupo Finmart"), and recast all results of its operations as discontinued operations. During fiscal 2015, we announced and implemented a plan to exit our U.S. Financial Services business (“USFS”), ceasing all payday, installment and auto title lending in the U.S and recast all results of USFS’s operations as discontinued operations. For additional information about our discontinued operations and restructuring plans, see Note 3 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplementary Data.”

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Revenue and net revenue for fiscal 2016 from continuing operations was comprised of the following:

Segment and Geographic Information

Our business consists of three reportable segments: "U.S. Pawn," which includes our EZPAWN, Value Pawn & Jewelry and other branded pawn operations in the United States; "Mexico Pawn," which includes our Empeño Fácil pawn operations in Mexico; and "Other International," which primarily includes our CASHMAX financial services operations in Canada and our equity interest in the net income (loss) of Cash Converters International. The following tables present store data by segments included in our continuing operations:

	Company-owned Stores				
	U.S. Pawn	Mexico Pawn	Other International	Consolidated	Franchises
As of September 30, 2013	502	258	39	799	8
New locations opened	9	3	—	12	—
Locations sold, combined or closed	(7)	—	—	(7)	(3)
As of September 30, 2014	504	261	39	804	5
New locations opened	5	3	—	8	—
Locations acquired	25	—	—	25	—
Locations sold, combined or closed	(12)	(27)	(12)	(51)	(4)
As of September 30, 2015	522	237 *	27	786	1
New locations opened	—	3	—	3	—
Locations acquired	6	—	—	6	—
Locations sold, combined or closed	(8)	(1)	—	(9)	(1)
As of September 30, 2016	520	239	27	786	—

* Includes five buy/sell stores reflected in fiscal 2015 ending count which were converted to Mexico Pawn stores during the three-months ended March 31, 2016.

For additional information about our discontinued operations and segments and geographic areas, see Note 3 and Note 18, respectively, of Notes to Consolidated Financial Statements included in "Part II, Item 8 — Financial Statements and Supplementary Data."

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Pawn Activities

At our pawn stores, we offer secured loans, which are typically small, non-recourse loans collateralized by tangible personal property. As of September 30, 2016, we had a closing pawn loan principal balance of $167.3 million. We earn pawn service charge revenue on our pawn loans. In fiscal 2016, pawn service charges accounted for approximately 36% of our total revenues and 61% of our net revenues.

While allowable service charges vary by state and loan size, our United States pawn loans primarily earn 13% to 25% per month as permitted by applicable law, excluding forfeitures. The total United States pawn loan term generally ranges between 30 and 90 days. Individual loans vary depending on the valuation of each item pawned, but United States pawn loans made typically average approximately $100 to $120.

In Mexico, pawn loans earn 15% to 21% per month as permitted by applicable law, excluding forfeitures. The Mexico pawn loan primary term is 30 days. Individual loans are made in Mexican pesos and vary depending on the valuation of each item pawned, but Mexico pawn loans typically average approximately 1,000 Mexican pesos, or approximately $56 using the average exchange rate for fiscal 2016.

Collateral for our pawn loans consists of tangible personal property, generally jewelry, consumer electronics, power tools, sporting goods and musical instruments. Security for our pawn loans is provided via the estimated resale value of the collateral and the perceived probability of the loan's redemption. We generally lend from 40% to 70% of the collateral's estimated resale value depending on an evaluation of these factors, and may additionally offer to purchase the product outright.

If a customer chooses not to repay, renew or extend a loan, the collateral is forfeited and becomes inventory available for sale. We do not record loan losses or charge-offs of pawn loans because the principal amount of an unpaid loan becomes the inventory carrying cost of the forfeited collateral. If the subsequent sale of the forfeited collateral is less than the loan value, this is reflected in gross margin.

The following table presents our pawn loan redemption rates by segment:

	Fiscal Year Ended September 30,		
	2016	2015	2014
U.S. Pawn loan redemption rate*	84%	84%	83%
Mexico Pawn loan redemption rate*	78%	77%	77%

* Our pawn loan redemption rate represents the percentage of loans made that are repaid, renewed or extended at a point in time as opposed to the life of the loan.

Our ability to offer quality second-hand goods at prices significantly lower than original retail prices attracts value-conscious customers. The gross profit on sales of inventory depends primarily on our assessment of the loan or purchase value at the time the property is either accepted as loan collateral or purchased. As a significant portion of our inventory and sales in the U.S. involve gold and jewelry, our results can be heavily influenced by the market price of gold.

Customers may purchase a product protection plan that allows them to return or exchange certain general merchandise (non-jewelry) sold through our retail pawn operations within three to six months of purchase. We also offer a jewelry VIP package, which guarantees customers a minimum future pawn loan amount on the item sold, allows them full credit if they trade in the item to purchase a more expensive piece of jewelry, and provides minor repair service on the item sold. Customers may also purchase an item on layaway by paying a minimum layaway deposit of typically 10% to 20% of the item's sale price. We hold the item for a 60 to 180-day period, during which the customer is required to pay the balance of the sales price.

Our inventory is stated at the lower of cost or market. We record a valuation allowance for obsolete or slow-moving inventory based on the type and age of merchandise. We generally establish a higher allowance percentage on general merchandise, as it is more susceptible to obsolescence, and establish a lower allowance percentage on jewelry, as it retains much greater commodity value. The total allowance was 4.2% of gross inventory as of September 30, 2016 compared to 5.4% as of September 30, 2015 due to the lower levels of aged inventory outstanding at the end of fiscal

2016. Our reserve for estimated unrealized inventory shrinkage, included in the above allowance, was flat compared to the prior-year at 1.0% of gross inventory as of September 30, 2016.

Other

We also operate financial services stores in Canada under the CASHMAX brand, all located in the Ontario province. These small footprint locations offer payday loan services.

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Operations

Our pawn operations structure is built to provide the optimum level of support to the store team, providing coaching, mentoring and problem solving to identify opportunities to better serve our customers and position us to be the leader in customer service and satisfaction.

Our asset protection and compliance departments monitor the inventory system, lending practices, regulatory compliance and compliance with our policies and procedures. We perform full physical audits of active inventory and pawn collateral at each store at least on an annual basis. Cycle counts are completed daily for jewelry and firearms, and targeted high risk inventory categories are cycle counted multiple times annually. We record shrink adjustments for known losses at the conclusion of the annual full physical audit and as estimates during interim periods, and as discovered during cycle counts. Asset protection monitors all shrink adjustments for exceptions.

Our success is dependent upon our team members' ability to provide prompt and courteous customer service and to execute our operating procedures and standards. To achieve our long-range personnel goals, we offer a structured career development program for all of our field team members. This program includes computer-based training, formal structured classroom training and supervised on-the-job training. Generally, we expect that store team members, including managers, will meet certain competency criteria prior to hire or promotion and participate in on-going training classes and formal instructional programs. Our career development program develops and advances our employees and provides training for the efficient integration of experienced managers and team members from outside the company.

Seasonality and Quarterly Results

Historically, pawn service charges are highest in our fourth fiscal quarter (July through September) due to a higher average loan balance during the summer lending season. Merchandise sales are highest in the first and second fiscal quarters (October through March) due to the holiday season, jewelry sales surrounding Valentine's Day and the availability of tax refunds in the United States.

Growth and Expansion

We plan to expand the number of locations we operate through opening new ("de novo") locations and through acquisitions. We believe there are growth opportunities with de novo stores in Mexico and pawn store acquisitions in both Mexico and in the U.S. Our ability to add new stores is dependent on several variables, such as the availability of acceptable sites or acquisition candidates, the regulatory environment, local zoning ordinances, access to capital and the availability of qualified personnel.

For information about our acquisitions, see Note 4 of Notes to Consolidated Financial Statements included in "Part II, Item 8 — Financial Statements and Supplementary Data."

Competition

We encounter significant competition in connection with all of our activities. These competitive conditions may have an impact on our revenues, profitability and ability to expand. We compete with other pawn stores, credit service organizations, banks, credit unions and other financial institutions, such as consumer finance companies. We believe that the primary elements of competition are the quality of customer service and relationship management, convenience, store location and a customer friendly environment. In addition, we believe the ability to compete effectively will be based increasingly on strong general management, regional focus, automated management information systems, access to capital and superior customer service.

Our competitors for merchandise sales include numerous retail and wholesale stores, such as jewelry stores, discount retail stores, consumer electronics stores, other pawn stores, other resale stores, electronic commerce retailers and auction sites. Competitive factors in our retail operations include the ability to provide the customer with a variety of merchandise at an exceptional value coupled with exceptional customer service and convenient locations.

The pawn industry in the United States is large and highly fragmented. The industry consists of pawn stores owned primarily by independent operators who own one to three locations, and the industry is relatively mature. We are the second largest of two public operators of pawn stores in the United States.

The pawn industry in Mexico is also fragmented, but less so than in the United States. The industry consists of pawn stores owned by independent operators and chains, including some not-for-profit organizations. The pawn industry, particularly full-line stores offering general merchandise and jewelry loans and resale, remains in an expansion stage in Mexico.

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Trademarks and Trade Names

We operate our U.S. pawn stores principally under the names "EZPAWN" or "Value Pawn" and the Mexico pawn stores under the name "EMPEÑO FÁCIL." Our financial services stores in Canada operate under the name "CASHMAX." We have registered with the United States Patent and Trademark Office the names EZPAWN and EZCORP, among others. We hold a trademark in Mexico for the name "EMPEÑO FÁCIL."

Regulation

Compliance with federal, state and local laws and regulations is an integral part of how we manage our business, and we conduct our business in material compliance with all of these rules. The following is a general description of significant regulations affecting our business. For a geographic breakdown of our operating locations, see "Part I, Item 2 — Properties."

U.S. Regulations

Pawn Regulations — Our pawn stores are regulated by the states in which they are located and, in some cases, by individual municipalities or other local authorities. The applicable statutes, ordinances and regulations vary from location to location and typically impose licensing requirements for pawn stores or individual pawn store employees. Licensing requirements typically relate to financial responsibility and character, and may establish restrictions on where pawn stores can operate. Additional rules regulate various aspects of the day-to-day pawn operations, including the pawn service charges that a pawn store may charge, the maximum amount of a pawn loan, the minimum or maximum term of a pawn loan, the content and format of the pawn ticket and the length of time after a loan default that a pawn store must hold a pawned item before it can be offered for sale. Failure to observe applicable regulations could result in a revocation or suspension of pawn licenses, the imposition of fines or requirements to refund service charges and fees, and other civil or criminal penalties. We must also comply with various federal requirements regarding the disclosure of the annual percentage rate, finance charge, amount financed, total of payments and payment schedule related to each pawn loan transaction. Additional federal regulations applicable to our pawn lending business are described in "Other Regulations" below.

A number of our pawn stores, voluntarily or pursuant to applicable laws, provide periodic (generally daily) reports to local law enforcement agencies. These reports provide local law enforcement with information about the items received from customers (whether through pawn or purchase), including a detailed description of the goods involved and the name and address of the customer. If we accept as collateral or purchase merchandise from a customer and it is determined that our customer was not the rightful owner, the merchandise is subject to recovery by the rightful owner and those losses are included in our shrinkage. Historically, we have not experienced a material number of claims of this nature.

Some of our pawn stores in the U.S. handle firearms and each of those stores maintains a federal firearms license as required by federal law. The federal Gun Control Act of 1968 and regulations issued by the Bureau of Alcohol, Tobacco, and Firearms also require each pawn store dealing in firearms to maintain a permanent written record of all receipts and dispositions of firearms. In addition, we must comply with the Brady Handgun Violence Prevention Act, which requires us to conduct a background check before releasing, selling or otherwise disposing of firearms.

Other Regulations — Our pawn lending activities are subject to other state and federal statutes and regulations, including the following:

- We are subject to the federal Gramm-Leach-Bliley Act and its underlying regulations, as well as various state laws and regulations relating to privacy and data security. Under these regulations, we are required to disclose to our customers our policies and practices relating to the protection and sharing of customers' nonpublic personal information. These regulations also require us to ensure that our systems are designed to protect the confidentiality of customers' nonpublic personal information, and many of these regulations dictate certain actions that we must take to notify customers if their personal information is disclosed in an unauthorized manner. We are subject to the Fair Credit Reporting Act, which was enacted, in part, to address privacy concerns associated with the sharing of consumers' financial information and credit history contained in consumer credit reports and limits our ability to share certain consumer report information. We are subject to the Federal Fair and Accurate Credit Transactions Act, which amended the Fair Credit Reporting Act, and requires us to adopt written guidance and procedures for detecting, preventing and mitigating identity theft, and to adopt various policies and procedures (including employee training) that address and aid in detecting and responding to suspicious activity or identify theft “red flags.”

- Under the USA PATRIOT Act, we must maintain an anti-money laundering compliance program that includes the development of internal policies, procedures and controls; the designation of a compliance officer; an ongoing employee training program; and an independent audit function to test the program.

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We are subject to the Bank Secrecy Act and its underlying regulations, which require us to report and maintain records of certain high-dollar transactions. In addition, federal laws and regulations prohibit us from doing business with terrorists and require us to report certain suspicious transactions to the Financial Crimes Enforcement Network of the Treasury Department ("FinCen"). Generally, a transaction is considered to be suspicious if we know, suspect or have reason to suspect that the transaction (a) involves funds derived from illegal activity or is intended to hide or disguise such funds, (b) is designed to evade the requirements of the Bank Secrecy Act or (c) appears to serve no legitimate business or lawful purpose.

The Foreign Corrupt Practices Act ("FCPA") was enacted for the purpose of making it unlawful for certain classes of persons and entities to make payments to foreign government officials to assist in obtaining or retaining business. Specifically, the anti-bribery provisions of the FCPA prohibit the willful use of mail or any means of instrumentality of interstate commerce corruptly in furtherance of any offer, payment, promise to pay, or authorization of the payment of money or anything of value to any person, while knowing that all or a portion of such money or thing of value will be offered, given or promised, directly or indirectly, to a foreign official to influence the foreign official in his or her official capacity, induce the foreign official to do or omit to do an act in violation of his or her lawful duty, or to secure any improper advantage in order to assist in obtaining or retaining business for or with, or directing business to, any person.

Mexico Pawn Regulations

Federal Regulation — Federal law in Mexico provides for administrative regulation of the pawnshop industry by Procuraduría Federal del Consumidor (PROFECO), Mexico's primary federal consumer protection agency. PROFECO regulates the form and terms of pawn loan contracts (but not interest or service charge rates) and defines certain operating standards and procedures for pawnshops, including retail operations, and establishes registration, disclosure, bonding and reporting requirements. There are significant fines and sanctions, including operating suspensions, for failure to comply with PROFECO's rules and regulations. We believe that we comply with the rules and regulations, as currently administered, and believe that when fully implemented, the PROFECO registration requirements should have limited impact on our operations or profitability.

PROFECO requires that we report certain transactions (or series of transactions) that exceed certain monetary limits. Anti-money laundering regulations restrict the use of cash in certain transactions. Relevant aspects of the law specifically affecting the pawn industry include monthly reporting on "vulnerable activities," which includes certain high-value pawn and precious metal transactions.

The Federal Personal Information Protection Law requires us to protect our customers' personal information. Specifically, the law requires us to inform customers if we share customer personal information with third parties and to post (both on-line and in-store) our privacy policy.

State and Local Regulation — Our pawn business in Mexico is also subject to regulation at the state and local level through state laws and local zoning and permitting ordinances. For example, some states require permits for pawn stores to operate, certification of employees as trained in the valuation of merchandise, and strict customer identification controls. State and local agencies often have authority to suspend store operations pending resolution of actual or alleged regulatory, licensing and permitting issues.

General Regulation — In addition to the above, our pawn business in Mexico is subject to various general business regulations in the areas of tax compliance, customs, consumer protections, money laundering, public safety and employment matters, among others, by various federal, state and local governmental agencies.

Available Information

We maintain an Internet website at www.ezcorp.com. All of our reports filed with the Securities and Exchange Commission (the "SEC"), including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and Section 16 filings, are accessible, free of charge, through the Investor Relations section of our website as soon as reasonably practicable after electronic filing. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov. Information on our website is not incorporated by reference into this report.

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ITEM 1A — RISK FACTORS

There are many risks and uncertainties that may affect our operations, performance, development and results. Many of these risks are beyond our control. The following is a description of the important risk factors that may affect our business. If any of these risks were to actually occur, our business, financial condition or results of operations could be materially adversely affected. Additional risks and uncertainties not currently known to us or that we currently consider to be immaterial may also materially adversely affect our business, financial condition or results of operations.

We have exposure to Grupo Finmart through promissory notes that we received as part of the divestiture transaction. Our ability to recover those notes is heavily dependent on the success and performance of the Grupo Finmart business and the guarantee of AlphaCredit.

As described in Note 3 and Note 7 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplemental Data,” we received various promissory notes, having an aggregate principal amount of approximately $89.8 million, in connection with the completion of the sale of Grupo Finmart in September 2016. Some, but not all, of these promissory notes are guaranteed by Alpha Holding, S.A. de C.V. (“AlphaCredit”), and some are secured by specific portfolios of consumer loans. These promissory notes are repayable in various amounts through September 2019. Our ability to recover full payment of these promissory notes over the next three years is dependent on AlphaCredit’s and Grupo Finmart’s ability to pay the notes, which is heavily dependent on the success and performance of the Grupo Finmart business. To the extent that AlphaCredit and Grupo Finmart do not repay the promissory notes, our financial performance and cash flows would be adversely affected.

If our assessment of and expectations concerning various factors affecting the collectability of these notes receivable change in the future, we may be required to record an allowance for losses or otherwise impair the carrying value the notes, which could adversely affect our financial performance in the period of recordation or impairment. These notes receivable were recorded at fair value on the date of the sale of Grupo Finmart, which initially accounted for the risk of default. See Note 7 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplementary Data.”

Changes in laws and regulations affecting our products and services could have a material adverse effect on our operations and financial performance.

Our products and services are subject to regulation under various federal, state and local laws and regulations. Adverse legislation or regulations could be adopted in any country, state or municipality in which we operate. If such legislation or regulation is adopted in any particular jurisdiction, we generally evaluate our business in the context of the new rules and determine whether we can continue to operate in that jurisdiction with new or modified products or whether it is feasible to enhance our business with additional product offerings. In any case, if we are unable to continue to operate profitably under the new rules, we may decide to close or consolidate stores, resulting in decreased revenues, earnings and assets.

The U.S. Department of Defense has issued rules that expand certain protections under the Military Lending Act, including a 36% APR rate cap, to a wider range of credit products, including pawn loans. These rules became effective in October 2016. The effective interest rate on our pawn loans varies by state, but in all cases, exceeds 36% APR. Consequently, active military personnel are unable to access our pawn loans. The implementation of this rule could have a significant adverse impact on our business at certain locations, but is not expected to have a material adverse impact on the Company as a whole.

Litigation and regulatory proceedings could have a material adverse impact on our business.

We are currently subject to various litigation and regulatory actions, including those described in Note 17 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplementary Data.” These matters are subject to inherent uncertainties and unfavorable rulings could occur, which could include monetary damages or other relief. Any unfavorable ruling or outcome could have a material adverse effect on our results of operations and could negatively affect our reputation.

We have procured management liability insurance policies that should protect us from much of the potential exposure related to the shareholder derivative litigation and the federal securities litigation described in Note 17 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplementary Data.”

However, under the terms of those policies, we bear the first $1 million of costs or liability associated with each claim, and there are elements of the defense costs that are not covered under the insurance policies. In addition, to the extent that our ultimate liability in the current litigation or any subsequent litigation that is included in the same policy year exceeds the management liability policy limits, our results of operations could be adversely affected.

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One person beneficially owns all of our voting stock and controls the outcome of all matters requiring a vote of stockholders, which may influence the value of our publicly-traded non-voting stock.

Phillip E. Cohen is the beneficial owner of all of our Class B Voting Common Stock. As a result of his equity ownership stake, Mr. Cohen controls the outcome of all issues requiring a vote of stockholders and has the ability to appoint or remove directors and officers who control our policies and operations. All of our publicly-traded stock is non-voting stock. Consequently, stockholders other than Mr. Cohen have no vote with respect to the election of directors or any other matter requiring a vote of stockholders except as required by law. This lack of voting rights may adversely affect the market value of our publicly-traded Class A Non-Voting Common Stock.

A significant portion of our business is concentrated in Texas.

As of September 30, 2016, a significant portion of our U.S. pawn stores were located in Texas, and those stores account for a significant portion of our revenues and profitability. The legislative, regulatory and general business environment in Texas has been relatively favorable for our pawn business activities, but a negative legislative or regulatory change in Texas could have a material adverse effect on our overall operations and financial performance.

A significant or sudden decrease in gold values or the volume of gold transactions may have a material impact on our earnings and financial position.

Gold jewelry comprises a large portion of the collateral security for our pawn loans and our inventory. Pawn service charges, sales proceeds and our ability to liquidate excess jewelry inventory at an acceptable margin are dependent upon gold values and the volume of gold transactions. A decline in the availability of gold or our customers' willingness or ability to sell us gold or use gold as collateral for pawn loans could impact our business. Over the fiscal 2013 to 2015 periods and into fiscal 2016, we experienced a significant softening of gold prices and volumes in the aggregate, which had a negative impact on our profitability. The impact on our financial position and results of operations of a continued decrease in gold values or volumes or a change in customer behavior cannot be reasonably estimated because the market and customer response to changes in gold values is not known; however, a significant decline in gold values or gold volumes could result in decreases in sales, sales margins and pawn service charge revenues.

A significant change in foreign currency exchange rates could have a material adverse impact on our earnings and financial position.

We have foreign operations in Mexico and Canada and an equity investment in Australia. Our assets and investments in, and earnings and dividends from, each of these must be translated to U.S. dollars from their respective functional currencies. A significant weakening of any of these foreign currencies could result in lower assets and earnings in U.S. dollars, resulting in a potentially material adverse impact on our financial position, results of operations and cash flows.

In part, achievement of our growth objectives is dependent upon our ability to open and acquire new stores.

Our expansion strategy includes acquiring existing stores and opening de novo store locations. Our acquisition strategy is dependent upon the availability of attractive acquisition candidates, while the success of our de novo store strategy is contingent upon numerous factors that cannot be predicted or controlled, such as the availability of acceptable locations with a desirable customer base, the negotiation of acceptable lease terms, the ability to obtain required government permits and licenses and the existence of a suitable competitive environment. The achievement of our growth objectives is also subject to our ability to attract, train and retain qualified team members. Failure to achieve our expansion goals could adversely affect our prospects and future results of operations.

Changes in the business, regulatory or political climate in Mexico could adversely affect our operations there, which could adversely affect our growth plans.

Our growth plans include potential expansion in Latin America. Changes in the business, regulatory or political climate in Mexico, or significant fluctuations in currency exchange rates, could affect our ability to expand or continue our operations there, which could have a material adverse impact on our prospects, results of operations and cash flows.

Fluctuations in our sales, pawn loan balances, sales margins and pawn redemption rates could have a material adverse impact on our operating results.

We regularly experience fluctuations in a variety of operating metrics. Changes in any of these metrics, as might be caused by changes in the economic environment, competitive pressures, changes in customers' tastes and preferences or a significant decrease in gold prices could materially and adversely affect our profitability and ability to achieve our planned results of operations.

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Changes in our liquidity and capital requirements or in banks' abilities or willingness to lend to us could limit our ability to achieve our plans.

A significant reduction in cash flows from operations or the availability of credit could materially and adversely affect our ability to achieve our planned growth and operating results. During fiscal 2014, we completed the sale of $230 million principal amount of 2.125% Cash Convertible Senior Notes Due 2019 and used the proceeds to, among other things, pay all outstanding amounts under, and terminate, our revolving credit facility with a syndicate of banks. During fiscal 2016, we obtained a term loan facility of $100 million principal amount, at variable interest, of which we have drawn $50 million. Our ability to obtain additional credit or alternative financing, if needed, will depend upon market conditions, our financial condition and banks' or other lenders' willingness to lend capital at acceptable rates. The inability to access capital at acceptable rates and terms could restrict or limit our ability to achieve our growth objectives, which could adversely affect our financial condition and results of operations.

Changes in competition from various sources could have a material adverse impact on our ability to achieve our plans.

We encounter significant competition from other pawn stores, other consumer lending companies and other retailers, many of which have significantly greater financial resources than we do. Increases in the number or size of competitors or other changes in competitive influences could adversely affect our operations.

Infrastructure failures and breaches in data security could harm our business.

We depend on our information technology infrastructure to achieve our business objectives. If a problem, such as a computer virus, intentional disruption by a third party, natural disaster, telecommunications system failure or lost connectivity impairs our infrastructure, we may be unable to process transactions or otherwise carry on our business. An infrastructure disruption could damage our reputation and cause us to lose customers and revenue, result in the unintentional disclosure of company or customer information and require us to incur significant expense to eliminate these problems and address related data security concerns.

We invest in companies for strategic reasons and may not realize a return on our investments.

We currently have a significant investment in Cash Converters International Limited, which is a publicly-traded company based in Australia. We have made this investment, and may in the future make additional investments in this or other companies, to further our strategic objectives. The success of these strategic investments is dependent on a variety of factors, including the business performance of the companies in which we invest and the market's assessment of that performance. If the business performance of any of these companies suffers, then the value of our investment may decline. We wrote down a portion of our investment in Cash Converters International Limited during the fourth quarter of both fiscal 2016 and fiscal 2015. See Note 6 of Notes to Consolidated Financial Statements included in "Part II, Item 8 — Financial Statements and Supplemental Data." If we determine that any future other-than-temporary declines in the fair value exist for one of our equity investments, we will be required to write down that investment to its fair value and recognize the related write-down as an investment loss. Any future realized investment loss would adversely affect our results of operations.

We may incur property, casualty or other losses not covered by insurance.

We maintain a program of insurance coverage for various types of property, casualty and other risks. The types and amounts of insurance that we obtain vary from time to time, depending on availability, cost and our decisions with respect to risk retention. The policies are subject to deductibles and exclusions that result in our retention of a level of risk on a self-insurance basis. Losses not covered by insurance could be substantial and may increase our expenses, which could harm our results of operations and financial condition.

Our acquisitions, investments and other transactions could disrupt our ongoing business and harm our results of operations.

In pursuing our business strategy, we routinely conduct discussions, evaluate opportunities and enter into agreements regarding possible acquisitions, investments and other transactions. These transactions may involve significant challenges and risks, including risks that we may not realize the expected return on an acquisition or investment, that we may not be able to retain key personnel of an acquired business, or that we may experience difficulty in integrating acquired businesses into our business systems and processes. If we do enter into agreements with respect to acquisitions, investments or other transactions, we may fail to complete them due to inability to obtain required regulatory or other approvals or other factors. Furthermore, acquisitions, investments and other transactions require substantial management resources and have the potential to divert our attention from our existing business. These factors could harm our business and results of operations.

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We could be subject to changes in tax rates, the adoption of new tax laws in the U.S. or other countries, or exposure to additional tax liabilities.

We are subject to taxes in the U.S. and several foreign jurisdictions. Current economic and political conditions make tax rates in any of these jurisdictions subject to significant change. Our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities or changes in tax laws or their interpretation.

Events beyond our control could result in business interruption or other adverse effects on our operations and growth.

Our business or operations could be subject to interruption or damage due to inclement weather, natural disaster, power loss, acts of violence, terrorist attacks, war or similar events. Such events could impair our customers' access to our business, impact our ability to expand or continue our operations or otherwise have an adverse effect on our financial condition.

Goodwill comprises a significant portion of our total assets. We assess goodwill for impairment at least annually, which could result in a material, non-cash write-down and could have a material adverse effect on our results of operations and financial conditions.

The carrying value of our goodwill is $254 million, or approximately 26% of our total assets, as of September 30, 2016. In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350-20-35 Goodwill — Subsequent Measurement, we test goodwill and intangible assets with an indefinite useful life for potential impairment annually, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. These events or circumstances could include a significant change in the business climate, a change in strategic direction, legal factors, operating performance indicators, a change in the competitive environment, the sale or disposition of a significant portion of a reporting unit, or future economic factors such as unfavorable changes in the estimated future discounted cash flows of our reporting units. Our annual goodwill impairment test is performed in the fourth quarter utilizing the income approach. This approach uses future cash flows and estimated terminal values for each of our reporting units (discounted using a market participant perspective) to determine the fair value of each reporting unit, which is then compared to the carrying value of the reporting unit to determine if there is an impairment. The income approach includes assumptions about revenue growth rates, operating margins and terminal growth rates discounted by an estimated weighted-average cost of capital derived from other publicly-traded companies that are similar but not identical from an operational and economic standpoint. See Note 9 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplementary Data” for a discussion of the impairment of goodwill and indefinite-lived intangible assets during fiscal 2016.

We may be exposed to liabilities under applicable anti-corruption laws, and any determination that we violated these laws could have a material adverse effect on our business.

We are subject to various anti-corruption laws that prohibit improper payments or offers of payments to foreign governments and their officials for the purpose of obtaining or retaining business. We have business in countries and regions that are less developed and are generally recognized as potentially more corrupt business environments. Our activities in these countries create the risk of unauthorized payments or offers of payments by one of our employees or agents that could be in violation of various anti-corruption laws, including the Foreign Corrupt Practices Act (the "FCPA"). We have implemented safeguards and policies to discourage these practices by our employees and agents. However, our existing safeguards and any future improvements may prove to be less than effective, and our employees or agents may engage in conduct for which we might be held responsible. If employees violate our policies or we fail to maintain adequate record-keeping and internal accounting practices to accurately record our transactions, we may be subject to regulatory sanctions. Violations of the FCPA or other anti-corruption laws may result in severe criminal or civil sanctions and penalties, and we may be subject to other liabilities that could have a material adverse effect on our business, results of operations and financial condition. We engage professional service firms with relevant expertise to perform certain reviews of our compliance under the FCPA.

We face other risks discussed under "Part II, Item 7A — Quantitative and Qualitative Disclosures about Market Risk."

ITEM 1B — UNRESOLVED STAFF COMMENTS

None.

ITEM 2 — PROPERTIES

Our typical pawn store is a freestanding building or part of a retail strip center with contiguous parking. Store interiors are designed to resemble small retail operations and attractively display merchandise by category. Distinctive exterior design and

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attractive in-store signage provide an appealing atmosphere to customers. We maintain property and general liability insurance for each of our stores. Our stores are open six or seven days a week.

We generally lease our locations with terms of three to ten years with one or more renewal options. Our existing leases expire on dates ranging between October 2016 and February 2030, with a small number of leases on month-to-month terms. All leases provide for specified periodic rental payments at market rates. Most leases require us to maintain the property and pay the cost of insurance and taxes. We believe the termination of any one of our leases would not have a material adverse effect on our operations. Our strategy generally is to lease rather than own space for our stores unless we find what we believe is a superior location at an attractive price.

On an ongoing basis, we may close or consolidate under-performing store locations. For additional information about our discontinued operations and restructuring plans, see Note 3 of Notes to Consolidated Financial Statements included in "Part II, Item 8 — Financial Statements and Supplementary Data."

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The following table presents the number of store locations by state or province as of September 30, 2016:

United States:	
Texas	218
Florida	98
Colorado	37
Illinois	22
Oklahoma	21
Arizona	20
Nevada	16
Indiana	16
Tennessee	13
Iowa	11
Utah	10
Georgia	8
Minnesota	7
Alabama	5
Oregon	5
Virginia	4
Wisconsin	3
New York	2
Pennsylvania	2
Mississippi	1
Arkansas	1
Total United States Locations	520
Mexico:	
Distrito Federal	42
Estado de Mexico	41
Veracruz	31
Jalisco	16
Guanajuato	15
Puebla	11
Tabasco	8
Nuevo León	7
Chiapas	7
Guerrero	7
Michoacán	7
Tamaulipas	6
Hidalgo	6
Queretaro	6
Coahuila	5
Quintana Roo	4
Oaxaca	4
Campeche	4
Morelos	4
Aguascalientes	4
Tlaxcala	3
San Luis Potosí	1
Total Mexico Locations	239

Canada:	
Ontario	27
Total Canada Locations	27
Total Company	786

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In addition to our store locations, we lease corporate office space primarily in Austin, Texas (179,400 square feet, of which 71,916 square feet has been subleased to other tenants), Querétaro, Mexico (8,400 square feet) and Ontario, Canada (8,400 square feet).

For additional information about store locations during fiscal 2016, 2015 and 2014, see "Segment and Geographic Information" included in "Part I, Item 1 — Business."

ITEM 3 — LEGAL PROCEEDINGS

For a discussion of legal proceedings, see Note 17 of Notes to Consolidated Financial Statements included in "Part II, Item 8 — Financial Statements and Supplementary Data."

ITEM 4 — MINE SAFETY DISCLOSURES

Not applicable.

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PART II
ITEM 5 — MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES
Market Information
Our Class A Non-Voting Common Stock (“Class A Common Stock”) is traded on the NASDAQ Stock Market under the symbol “EZPW.” As of November 30, 2016, there were 85 stockholders of record of our Class A Common Stock. There is no trading market for our Class B Voting Common Stock (“Class B Common Stock”), which was held by one stockholder as of November 30, 2016.
The high and low per share sales price for our Class A Common Stock for the past two fiscal years, as reported by the NASDAQ Stock Market, were as follows:

	High	Low
Fiscal 2016:		
Fourth quarter ended September 30, 2016	$11.12	$7.19
Third quarter ended June 30, 2016	7.59	2.94
Second quarter ended March 31, 2016	5.15	2.44
First quarter ended December 31, 2015	7.14	4.68
Fiscal 2015:		
Fourth quarter ended September 30, 2015	$7.58	$5.29
Third quarter ended June 30, 2015	9.88	7.10
Second quarter ended March 31, 2015	12.35	9.08
First quarter ended December 31, 2014	12.08	8.25

As of September 30, 2016, the closing sales price of our Class A Common Stock, as reported by the NASDAQ Stock Market, was $11.06 per share.
We have not declared or paid any dividends and currently do not anticipate paying any dividends in the immediate future. As described in Note 10 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplementary Data,” payment of a dividend requires an adjustment to the conversion rate of our 2.125% Cash Convertible Senior Notes due 2019. In addition, our Financing Agreement with Fortress Credit Co LLC (described in Note 10 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplementary Data”) limits our ability to pay dividends and other distributions. Should we pay dividends in the future, our certificate of incorporation provides that cash dividends on common stock, when declared, must be declared and paid at the same per share amounts on both classes of stock. Any future determination to pay cash dividends will be at the discretion of our Board of Directors (subject to the limitations described above).

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Stock Performance Graph

The following Stock Performance Graph and related information shall not be deemed to be “filed” with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

The following table compares cumulative total stockholder returns for our Class A Common Stock for the last five fiscal years, with the cumulative total return on the NASDAQ Composite Index (ticker symbol: IXIC) and the NASDAQ Other Financial Index (ticker symbol: IXFN) over the same period. The graph shows the value, at the end of each of the last five fiscal years, of $100 invested in our Class A Common Stock or the indices on September 30, 2011. The graph depicts the change in the value of our Class A Common Stock relative to the indices at the end of each fiscal year and not for any interim period. Historical stock price performance is not necessarily indicative of future stock price performance.

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ITEM 6 — SELECTED FINANCIAL DATA

The following selected financial information should be read in conjunction with, and is qualified in its entirety by, the accompanying consolidated financial statements and related notes. Amounts shown in the tables below include the impact of revisions to prior period financial statements, as discussed in Note 2 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplemental Data.”

Operating Data

	Fiscal Year Ended September 30,				
	2016	2015	2014	2013 (a)	2012 (a)
	(in thousands, except per share and store figures)				
Operating data:					
Total revenues	$730,505	$720,000	$745,770	$765,039	$778,870
Net revenues	428,230	403,020	421,857	447,661	455,839
Restructuring	1,921	17,080	6,664	—	—
Impairment of investments	10,957	26,837	7,940	43,198	—
(Loss) income from continuing operations, net of tax	(8,998)	(52,182)	3,438	13,583	85,317
(Loss) income from discontinued operations, net of tax	(79,432)	(42,045)	(77,474)	4,045	45,129
Net (loss) income	(88,430)	(94,227)	(74,036)	17,628	130,446
Net loss from continuing operations attributable to noncontrolling interest	(1,025)	(884)	(1,038)	(927)	(29)
Net (loss) income from discontinued operations attributable to redeemable noncontrolling interest	(6,661)	(4,151)	(5,281)	951	5,751
Net (loss) income attributable to EZCORP, Inc.	(80,744)	(89,192)	(67,717)	17,604	124,724
Basic (loss) earnings per share attributable to EZCORP, Inc.:					
Continuing operations	$(0.15)	$(0.94)	$0.08	$0.27	$1.68
Discontinued operations	(1.34)	(0.70)	(1.33)	0.06	0.77
Basic (loss) earnings per share	$(1.49)	$(1.64)	$(1.25)	$0.33	$2.45
Diluted (loss) earnings per share attributable to EZCORP, Inc.:					
Continuing operations	$(0.15)	$(0.94)	$0.08	$0.27	$1.67
Discontinued operations	(1.34)	(0.70)	(1.33)	0.06	0.77
Diluted (loss) earnings per share	$(1.49)	$(1.64)	$(1.25)	$0.33	$2.44
Weighted average shares outstanding:					
Basic	54,427	54,369	54,148	53,657	50,877
Diluted	54,427	54,369	54,292	53,737	51,133
Stores attributable to continuing operations at end of period	786	786	804	799	775

(a) We acquired a controlling interest in Grupo Finmart in January 2012 and began consolidating its results of operations. In September 2016, we disposed of our entire interest and recast all historical operating data pertaining to Grupo Finmart as discontinued operations. Further, certain corrections and revisions to the fiscal 2013 and 2012 consolidated financial statements have been made. See Note 2 and Note 3 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplemental Data.” The effects of these corrections and revisions to the fiscal 2013 and 2012 operating data presented above are as follows:

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	Fiscal Year Ended September 30, 2013		
	As Previously Reported	Corrections and Reclassifications	As Corrected and Reclassified
	(in thousands, except per share figures)		
Operating data:			
Total revenues	$809,525	$ (44,486)	$ 765,039
Net revenues	480,433	(32,772)	447,661
Impairment of investments	43,198	—	43,198
Income from continuing operations, net of tax	22,527	(8,944)	13,583
Income (loss) from discontinued operations, net of tax	(1,517)	5,562	4,045
Net income	21,010	(3,382)	17,628
Net loss from continuing operations attributable to noncontrolling interest	(1,222)	295	(927)
Net income (loss) from discontinued operations attributable to redeemable noncontrolling interest	(76)	1,027	951
Net income attributable to EZCORP, Inc.	22,308	(4,704)	17,604
Basic earnings (loss) per share attributable to EZCORP, Inc.:			
Continuing operations	$0.44	$ (0.17)	$ 0.27
Discontinued operations	(0.03)	0.09	0.06
Basic earnings per share	$0.41	$ (0.08)	$ 0.33
Diluted earnings (loss) per share attributable to EZCORP, Inc.:			
Continuing operations	$0.44	$ (0.17)	$ 0.27
Discontinued operations	(0.03)	0.09	0.06
Diluted earnings per share	$0.41	$ (0.08)	$ 0.33

	Fiscal Year Ended September 30, 2012		
	As Previously Reported	Corrections and Reclassifications	As Corrected and Reclassified
	(in thousands, except per share figures)		
Operating data:			
Total revenues	$805,653	$ (26,783)	$ 778,870
Net revenues	474,512	(18,673)	455,839
Income from continuing operations, net of tax	110,819	(25,502)	85,317
Income from discontinued operations, net of tax	30,296	14,833	45,129
Net income	141,115	(10,669)	130,446
Net (loss) income from continuing operations attributable to noncontrolling interest	4,119	(4,148)	(29)
Net income from discontinued operations attributable to redeemable noncontrolling interest	151	5,600	5,751
Net income attributable to EZCORP, Inc.	136,845	(12,121)	124,724
Basic earnings per share attributable to EZCORP, Inc.:			
Continuing operations	$2.10	$ (0.42)	$ 1.68

Discontinued operations	0.59	0.18	0.77
Basic earnings per share	$2.69	$ (0.24)	$ 2.45
Diluted earnings per share attributable to EZCORP, Inc.:			
Continuing operations	$2.09	$ (0.42)	$ 1.67
Discontinued operations	0.59	0.18	0.77
Diluted earnings per share	$2.68	$ (0.24)	$ 2.44

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Balance Sheet Data

	September 30, 2016	2015	2014	2013 (b)	2012 (b)
	(in thousands)				
Balance sheet data:					
Pawn loans	$167,329	$159,964	$162,444	$156,637	$157,648
Inventory, net	140,224	124,084	138,175	145,200	109,214
Working capital (a)	387,165	318,107	370,247	325,263	329,535
Total assets (a)	983,244	898,908	1,023,982	1,044,136	950,995
Long-term debt, less current maturities (a)	283,611	197,976	213,265	139,894	128,452
Total equity	594,205	656,031	812,346	879,027	815,690

(a) Amounts exclude assets and liabilities held for sale as discussed in note (b) below.

(b) We acquired a controlling interest in Grupo Finmart in January 2012 and began consolidating its results of operations. In September 2016, we disposed of our entire interest and recast all historical balance sheet data pertaining to Grupo Finmart as held for sale. Further, certain corrections and revisions to the fiscal 2014, 2013 and 2012 consolidated financial statements have been made. See Note 2 and Note 3 of Notes to Consolidated Financial Statements included in "Part II, Item 8 — Financial Statements and Supplemental Data." The effects of these corrections and revisions to the fiscal 2014, 2013 and 2012 balance sheet data presented above are as follows:

	September 30, 2014		
	As Previously Reported	Corrections and Reclassifications	As Corrected and Reclassified
	(in thousands)		
Balance sheet data:			
Pawn loans	$162,444	$ —	$ 162,444
Inventory, net	138,175	—	138,175
Working capital	486,649	(116,402)	370,247
Total assets	1,410,544	(386,562)	1,023,982
Long-term debt, less current maturities	392,054	(178,789)	213,265
Total equity	832,304	(19,958)	812,346

	September 30, 2013		
	As Previously Reported	Corrections and Reclassifications	As Corrected and Reclassified
	(in thousands)		
Balance sheet data:			
Pawn loans	$156,637	$ —	$ 156,637
Inventory, net	145,200	—	145,200
Working capital	376,360	(51,097)	325,263
Total assets	1,332,968	(288,832)	1,044,136
Long-term debt, less current maturities	215,939	(76,045)	139,894
Total equity	895,883	(16,856)	879,027

September 30, 2012

	As Previously Reported	Corrections and Reclassifications	As Corrected and Reclassified
	(in thousands)		
Balance sheet data:			
Pawn loans	$157,648	$ —	$ 157,648
Inventory, net	109,214	—	109,214
Working capital	381,567	(52,032)	329,535
Total assets	1,209,075	(258,080)	950,995
Long-term debt, less current maturities	198,836	(70,384)	128,452
Total equity	827,791	(12,101)	815,690

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ITEM 7 — MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion in this section contains forward-looking statements that are based on our current expectations. Actual results could differ materially from those expressed or implied by the forward-looking statements due to a number of risks, uncertainties and other factors, including those identified in "Part I, Item 1A — Risk Factors." See also "Cautionary Statement Regarding Risks and Uncertainties That May Affect Future Results" below.

This discussion and analysis should be read in conjunction with the consolidated financial statements and the accompanying notes included in "Part II, Item 8 — Financial Statements and Supplementary Data."

Overview and Fiscal 2016 Financial Highlights

	Fiscal Year Ended September 30,				
	2016 (GAAP)	2015 (GAAP)	Change (GAAP)	2016 (Constant Currency)	Change (Constant Currency)
	(in USD thousands)			(in USD thousands)	
Consolidated pawn loans outstanding	$167,329	$159,964	5%	$169,688	6%
Consolidated pawn service charges	261,800	247,204	6%	267,717	8%
U.S. pawn service charges	229,893	216,211	6%	229,893	6%
Mexico pawn service charges	31,907	30,993	3%	37,824	22%
Consolidated merchandise sales gross profit	150,836	134,329	12%	154,420	15%
Consolidated gross margin on merchandise sales	37 %	33 %	400 bps	37 %	400 bps
Consolidated monthly average return on pawn earning assets (a)	11 %	12 %	(100) bps	11 %	(100) bps
Consolidated monthly average yield on inventory (b)	10 %	10 %	—	10 %	—
U.S. pawn loan redemption rate (c)	84 %	84 %	—	84 %	—
Mexico pawn loan redemption rate (c)	78 %	77 %	100 bps	78 %	100 bps
U.S. aged general merchandise inventory (d)	5 %	5 %	—	5 %	—
U.S. aged jewelry inventory (d)	11 %	15 %	(400)bps	11 %	(400)bps
Mexico aged general merchandise inventory (d)	4 %	4 %	—	4 %	—
Mexico aged jewelry inventory (d)	—	—	—	—	—

(a) Calculated as average monthly merchandise and scrap sales gross profit and pawn service charges, divided by average pawn loans and inventory balances outstanding.

(b) Calculated as average monthly merchandise and scrap sales gross profit, divided by inventory balances outstanding as of the applicable period end.

(c) Our pawn loan redemption rate represents the percentage of loans made that are repaid, renewed or extended at a point in time as opposed to the life of the loan.

(d) Calculated as inventory aged greater than 360 days as a percentage of total inventory as of the applicable period end.

- Core pawn revenue (pawn service charges and merchandise sales) from the U.S. Pawn segment increased 5% from fiscal 2015, while core pawn revenue from the Mexico Pawn segment decreased 4% on a GAAP basis but increased 13% on a constant currency basis. See “Results of Operations — Non-GAAP Financial Information” below.
- We acquired an additional six pawn stores in the Houston, Texas area. The stores reinforce our market-leading presence in that market.

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- We completed the disposition of Grupo Finmart, with a base purchase price for the sale of 100% of Grupo Finmart of $50 million less certain working capital and other adjustments. We also received promissory notes with a total principal amount of $89.8 million.
- We entered into a financing agreement for a senior secured credit facility for an aggregate principal amount of $100 million, the proceeds of which will allow us to continue to focus on growing our core pawn operations in the United States and Mexico.

On September 27, 2016, we completed the previously announced sale of all of our interests in Grupo Finmart to Alpha Holding, S.A. de C.V. ("AlphaCredit"), pursuant to a definitive agreement (the "Purchase Agreement") entered into effective July 1, 2016. The purchase price payable to EZCORP was $40.9 million after application of purchase price adjustments specified in the Purchase Agreement and, subject to a 10% escrow holdback, was paid in cash at closing. In connection with the closing of the transaction, we also received promissory notes, having an aggregate principal amount of approximately $89.8 million, repayable in various principal amounts through September 2019. For additional information about the sale of Grupo Finmart, see Note 3 of Notes to Consolidated Financial Statements included in "Part II, Item 8 — Financial Statements and Supplementary Data." See also "Item I, Part 1A — Risk Factors."

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States ("GAAP") requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and judgments, including those related to revenue recognition, inventory, long-lived and intangible assets, income taxes, contingencies and litigation. We base our estimates on historical experience, observable trends and various other assumptions that we believe to be reasonable under the circumstances. We use this information to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates under different assumptions or conditions.

The critical accounting policies and estimates that could have a significant impact on our results of operations, as well as relevant recent accounting pronouncements, are described in Note 1 of Notes to Consolidated Financial Statements included in "Part II, Item 8 — Financial Statements and Supplemental Data." Certain accounting policies regarding the quantification of the sensitivity of certain critical estimates are discussed further below.

Pawn Loan and Sales Revenue Recognition

We record pawn service charges using the interest method for all pawn loans we believe to be collectible. We base our estimate of collectible loans on several inputs, including recent redemption rates, historical trends in redemption rates and the amount of loans due in the following months. Unexpected variations in any of these factors could change our estimate of collectible loans, affecting our earnings and financial condition.

As of September 30, 2016, the balance of our pawn service charges receivable was $31.1 million. Assuming the pawn loan fees and service charges receivable balance as of September 30, 2016 was overestimated or underestimated by 10%, pawn service charges revenue would decrease or increase by approximately $3.1 million in 2016 and net income attributable to the Company would decrease or increase by approximately $2.0 million.

Inventory and Cost of Goods Sold

We consider our estimates of obsolete or slow moving inventory and shrinkage critical estimates in determining the appropriate overall valuation allowance for inventory. We monitor our sales margins for each type of inventory on an ongoing basis and compare to historical margins. Significant variances in those margins may require a revision to future inventory reserve estimates. We have historically revised our reserve estimates pertaining to jewelry inventory depending on the current price of gold. Future declines in gold prices may cause an increase in reserve rates pertaining to jewelry inventory.

As of September 30, 2016, the gross balance of our inventory was $146.4 million for which we have included reserves of $6.1 million. Assuming the inventory reserve balance as of September 30, 2016 was overestimated or underestimated by 10%, merchandise cost of goods sold would decrease or increase by approximately $0.6 million in 2016 and net income attributable to the Company would decrease or increase by approximately $0.4 million.

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Realization of Notes Receivable

We review the payment history, creditworthiness, projected cash flows and related assumptions of Grupo Finmart and AlphaCredit as applicable in determining whether our net notes receivable of $83.1 million are collectible. Through the date of this report, we have received all payments on these notes receivable as contractually obligated.

Goodwill and Other Intangible Assets

We perform our impairment analyses utilizing the income approach. This approach uses future cash flows and estimated terminal values for each of our reporting units (discounted using a market participant perspective) to determine the fair value of each reporting unit, which is then compared to the carrying value of the reporting unit to determine if there is an impairment. We have determined that our reporting units are equivalent to our operating segments for fiscal 2016. The income approach includes assumptions about revenue growth rates, operating margins and terminal growth rates discounted by an estimated weighted-average cost of capital derived from other publicly-traded companies that are similar but not identical from an operational and economic standpoint. We use discount rates that are commensurate with the risks and uncertainty inherent in the respective businesses and in our internally developed forecasts. Discount rates used in our fiscal 2016 goodwill and other intangible asset valuations ranged from 10% to 14%, down from 16% to 25% for fiscal 2015, representing an overall decrease in our weighted-average cost of capital as a result of improving business fundamentals in fiscal 2016 from 2015, as well as a result of our exit from Grupo Finmart. In testing other intangible assets for potential impairment, we apply key assumptions which are consistent with those utilized in our goodwill impairment test. Changes in the economic conditions or regulatory environment could negatively affect our key assumptions.

We may perform a qualitative assessment in making our determination of whether it is more likely than not goodwill and other intangible assets are impaired under appropriate accounting guidance on an annual basis in future reporting periods. In addition to the assumptions discussed above pertaining to the income approach, we consider the assessment of potential triggering events to be a critical estimate.

Income Taxes

Management believes that it is more likely than not that forecasted income, including income that may be generated as a result of certain tax planning strategies, together with future reversals of existing taxable temporary differences, will be sufficient to fully recover the deferred tax assets. In the event that we determine all or part of the net deferred tax assets are not realizable in the future, we will make an adjustment to the valuation allowance that would be charged to earnings in the period such determination is made.

We consider the earnings of certain non-U.S. subsidiaries to be indefinitely invested outside the United States on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and our specific plans for reinvestment of those subsidiary earnings. We have not recorded a deferred tax liability related to the U.S. federal and state income taxes and foreign withholding taxes of our undistributed earnings of foreign subsidiaries indefinitely invested outside the U.S.

The Company may be subject to income tax audits by the respective tax authorities in any or all of the jurisdictions in which the Company operates or has operated within a relevant period. Significant judgment is required in determining uncertain tax positions. We utilize the required two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. We adjust these reserves in light of changing facts and circumstances, such as the closing of an audit or the refinement of an estimate. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We believe adequate provisions for income taxes have been made for all periods.

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Results of Operations

Fiscal 2016 vs. Fiscal 2015

Summary Financial Data

The following table presents selected summary consolidated financial data for our fiscal years ended September 30, 2016 and 2015. This table, as well as the discussion that follows, should be read with the consolidated financial statements and related notes included in "Part II, Item 8 — Financial Statements and Supplementary Data."

	Fiscal Year Ended September 30, 2016	2015	Change
	(in thousands)		
Net revenues:			
Pawn service charges	$261,800	$247,204	6%
Merchandise sales	409,107	402,118	2%
Merchandise sales gross profit	150,836	134,329	12%
Gross margin on merchandise sales	37 %	33 %	400 bps
Jewelry scrapping sales	50,113	57,973	(14)%
Jewelry scrapping gross profit	8,074	11,907	(32)%
Gross margin on jewelry scrapping sales	16 %	21 %	(500) bps
Other revenues, net	7,520	9,580	(22)%
Net revenues	428,230	403,020	6%
Operating expenses	399,057	418,623	(5)%
Other non-operating expenses	28,810	50,604	(43)%
Income (loss) from continuing operations before income taxes	363	(66,207)	*
Income tax expense (benefit)	9,361	(14,025)	*
Loss from continuing operations, net of tax	(8,998)	(52,182)	(83)%
Loss from discontinued operations, net of tax	(79,432)	(42,045)	89%
Net loss	(88,430)	(94,227)	(6)%
Net loss attributable to noncontrolling interest	(7,686)	(5,035)	53%
Net loss attributable to EZCORP, Inc.	$(80,744)	$(89,192)	(9)%
Net pawn earning assets:			
Pawn loans	$167,329	$159,964	5%
Inventory, net	140,224	124,084	13%
Total net pawn earning assets	$307,553	$284,048	8%

* Represents an increase or decrease in excess of 100% or not meaningful.

Total revenues for fiscal 2016 were $730.5 million compared to $720.0 million in the prior year. Excluding jewelry scrapping sales, total revenues increased $18.4 million, driven by increased merchandise sales and pawn service charge growth.

Total operating expenses decreased from $418.6 million in the prior year to $399.1 million in the current year. This $19.6 million, or 5%, decrease was primarily due to:

- A $15.2 million decrease in restructuring expense from our fiscal 2015 restructuring plan aimed to streamline our structure and operating model to improve overall efficiency and reduce costs;

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- A $4.9 million decrease in administrative expense due primarily to a $3.6 million decrease in salaries and related costs, a $3.4 million decrease in litigation and related costs and $5.8 million in various other individually small reductions in corporate costs as we continue to work towards corporate overhead reduction goals, offset by a $8.0 million increase in short-term and long-term incentive programs. Administrative expenses include $4.2 million of fiscal 2015 restatement related expenses recorded in fiscal 2016;
- A $4.4 million decrease in depreciation and amortization expense as a result of ongoing savings realized from a lower depreciable fixed asset base as a result of our strategic review completed in fiscal 2015; and
- A $1.6 million decrease in loss on sale or disposal of assets due to a reduction in asset disposals in the current year; partially offset by
- A $6.4 million increase in operations expense primarily as a result of staffing enhancements and an increased participation in incentive compensation plans in our field organization and an increase in short-term and long-term incentive programs, as well as costs associated with new stores acquired. The largest component of this increase, which was offset by other items, was increased bonuses due to the substantial improvement in U.S. and Mexico Pawn operating results in fiscal 2016 as compared to fiscal 2015.

Total non-operating expenses decreased by $21.8 million from the prior year. This decrease was primarily due to:

- Impairment of our investment in Cash Converters International in fiscal 2016 in the amount of $11.0 million ($7.2 million, net of taxes), as compared to an impairment of our investment in fiscal 2015 in the amount of $26.8 million ($17.4 million, net of taxes);
- A $5.2 million decrease in loss from our unconsolidated affiliate due to improvement in performance of Cash Converters International; and
- A $1.0 million decrease in other expense primarily due to net foreign currency transaction losses in the current year as a result of movement in exchange rates affecting the revaluation of intercompany amounts and foreign currency debt outstanding.

Income taxes increased $23.4 million, to a $9.4 million expense in the current year, primarily due to the $66.6 million decrease in loss from continuing operations before income taxes, in addition to various permanent differences.

In fiscal 2016, we sold our Grupo Finmart business. As a result, loss from discontinued operations, net of tax includes a gain of $34.2 million and a $2.1 million loss, which we expect to recoup through receipt of future note receivable payments, on assumption of existing Grupo Finmart debt, before taxes. The gain does not take into consideration the total costs associated with the transaction, which were $9.8 million, approximately $8.0 million of which were recorded under “Loss from discontinued operations, net of tax” in our consolidated statements of operations in fiscal 2016 and the remaining $1.8 million of which will be recorded under “Loss from discontinued operations, net of tax” in our consolidated statements of operations in future periods due to ongoing employee service requirements. See “Results of Operations — Grupo Finmart” below for additional information.

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U.S. Pawn

The following table presents selected summary financial data from continuing operations for the U.S. Pawn segment:

	Fiscal Year Ended September 30,		Change
	2016	2015	
	(in thousands)		
Net revenues:			
Pawn service charges	$229,893	$216,211	6%
Merchandise sales	348,771	334,635	4%
Merchandise sales gross profit	131,503	115,682	14%
Gross margin on merchandise sales	38 %	35 %	300 bps
Jewelry scrapping sales	47,810	54,343	(12)%
Jewelry scrapping sales gross profit	7,672	11,498	(33)%
Gross margin on jewelry scrapping sales	16 %	21 %	(500) bps
Other revenues	331	945	(65)%
Net revenues	369,399	344,336	7%
Segment operating expenses:			
Operations	255,321	244,232	5%
Depreciation and amortization	12,242	15,227	(20)%
Segment operating contribution	101,836	84,877	20%
Other segment expenses	1,780	5,029	(65)%
Segment contribution	$100,056	$79,848	25%
Other data:			
Net earning assets — continuing operations	$270,974	$251,068	8%
Inventory turnover — general merchandise (a)	2.6	2.8	(7)%
Inventory turnover — jewelry (a)	1.1	1.1	—
Average monthly ending pawn loan balance per store (b)	$270	$252	7%
Monthly average yield on pawn loans outstanding	14 %	14 %	—
Pawn loan redemption rate	84 %	84 %	—

(a) Calculation of inventory turnover excludes the effects of scrapping.

(b) Balance is calculated based on the average of the monthly ending balance averages during the applicable period.

Net revenue increased 7% ($25.1 million), with core pawn revenue increasing $27.8 million, or 5%, from the prior-year. The increase in core pawn revenue attributable to same stores and new stores added during the current year is summarized as follows:

	Pawn Service Charges	Merchandise Sales	Core Pawn Revenue
	(in millions)		
Same stores	$10.0	$ 12.3	$ 22.3
New stores and other	3.7	1.8	5.5
Total	$13.7	$ 14.1	$ 27.8

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Pawn service charges increased 6%, with the monthly average yield remaining consistent at 14%, offset by the increase in average monthly ending pawn loans outstanding of 7% due to continued focus on customer experience.
Gross margin on merchandise sales increased to 38% from 35% in the prior year as a result of improved execution in disposing of aged inventory, as well as ongoing discipline in pawn loan valuation and retail pricing cadences. These positive operating developments drove an increase in merchandise sales gross profit of $15.8 million. We reduced total aged inventory (as a percentage of total inventory) to 8% from 10%. This reduction is primarily attributable to a reduction of aged jewelry inventory to 11% from 15% in the prior year, while our aged general merchandise inventory remained consistent at 5%.
Gross margin on jewelry scrapping sales decreased to 16% from 21%. Jewelry scrapping sales gross profit decreased to 2% of net revenues from 3% in the prior year primarily as a result of our strategy to sell rather than scrap jewelry during our peak selling season, as margins on scrapping are lower than those on sales.
Total segment expenses increased to $269.3 million (43% of revenues) in the current year from $264.5 million (44% of revenues) in the prior year primarily due to:

- An $11.1 million, or 5%, net increase in operations expense primarily due to increased wages due to staffing enhancements and an increased participation in incentive compensation plans in our field organization to better serve and satisfy our customers amounting to $16.2 million, comprised of a $8.4 million increase in bonuses due to the substantial improvement in operating results in fiscal 2016 as compared to fiscal 2015 and a $7.8 million increase in salaries and related costs, in addition to costs associated with new stores acquired and other small items. The wage increases were partially offset by a $5.3 million reduction due to fiscal 2015 impairment of long-lived intangible and fixed assets; partially offset by
- A $3.0 million, or 20%, decrease in depreciation and amortization expense as a result of ongoing savings realized from a lower depreciable fixed asset base as a result of our strategic review completed in fiscal 2015; and
- A $3.0 million decrease in restructuring costs pertaining to our fiscal 2015 restructuring plan initiated in the fourth quarter of our fiscal 2015.

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Non-GAAP Financial Information

In addition to the financial information prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP"), we provide certain other non-GAAP financial information on a constant currency basis ("constant currency"). We use constant currency and ongoing segment contribution results to evaluate results of our Mexico Pawn operations, which are denominated in Mexican pesos and believe that presentation of constant currency results are meaningful and useful in understanding the activities and business metrics of our Mexico Pawn operations and reflect an additional way of viewing aspects of our business that, when viewed with GAAP results, provide a more complete understanding of factors and trends affecting our business. We provide non-GAAP financial information for informational purposes and to enhance understanding of our GAAP consolidated financial statements. We use this non-GAAP financial information to evaluate and compare operating results across accounting periods. Readers should consider the information in addition to, but not instead of or superior to, our 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.

Constant currency results reported herein are calculated by translating consolidated balance sheet and consolidated statement of operations items denominated in Mexican pesos to U.S. dollars using the exchange rate from the prior-year comparable period, as opposed to the current period, in order to exclude the effects of foreign currency rate fluctuations. We used the end-of-period rate for balance sheet items and the average closing daily exchange rate during the appropriate period for statement of operations items. The end-of-period exchange rate as of September 30, 2016 and 2015 was 19.4 to 1 and 17.1 to 1, respectively. The average exchange rate for the years ended September 30, 2016, 2015 and 2014 was 17.9 to 1, 15.1 to 1, and 13.1 to 1, respectively. Constant currency results, where presented, also exclude the foreign currency gain or loss and the related foreign currency derivative gain or loss impact.

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Mexico Pawn

The following table presents selected summary financial data from continuing operations for the Mexico Pawn segment, including constant currency results, after translation to U.S. dollars from its functional currency of the Mexican peso. See “Results of Operations — Non-GAAP Financial Information” above.

	Fiscal Year Ended September 30,				
	2016 (GAAP)	2015 (GAAP)	Change (GAAP)	2016 (Constant Currency)	Change (Constant Currency)
	(in thousands)			(in thousands)	
Net revenues:					
Pawn service charges	$31,907	$30,993	3%	$37,824	22%
Merchandise sales	60,331	65,408	(8)%	71,518	9%
Merchandise sales gross profit	19,329	18,037	7%	22,913	27%
Gross margin on merchandise sales	32%	28%	400 bps	32%	400 bps
Jewelry scrapping sales	2,282	3,267	(30)%	2,705	(17)%
Jewelry scrapping sales gross profit	397	313	27%	470	50%
Gross margin on jewelry scrapping sales	17%	10%	700 bps	17%	700 bps
Other revenues	385	1,021	(62)%	456	(55)%
Net revenues	52,018	50,364	3%	61,663	22%
Segment operating expenses:					
Operations	38,481	43,927	(12)%	45,617	4%
Depreciation and amortization	2,965	4,440	(33)%	3,515	(21)%
Segment operating contribution	10,572	1,997	*	12,531	*
Other segment expenses (a)	2,064	2,982	(31)%	907	*
Segment contribution (loss)	$8,508	$(985)	*	$11,624	*
Other data:					
Net earning assets — continuing operations	$36,576	$32,966	11%	$41,496	26%
Inventory turnover (b)	2.5	2.7	(7)%	2.5	(7)%
Average monthly ending pawn loan balance per store (c)	$70	$65	8%	$82	26%
Monthly average yield on pawn loans outstanding	16%	16%	—	16%	—
Pawn loan redemption rate	78%	77%	100 bps	78%	100 bps

* Represents an increase or decrease in excess of 100% or not meaningful.

(a) Fiscal 2016 constant

currency amount excludes $1.3 million of net GAAP basis foreign currency transaction losses resulting from movement in exchange rates. The net foreign currency transaction losses for fiscal 2015 were $2.0 million and are not excluded from the above results.

(b) Calculation of inventory turnover excludes the effects of scrapping.

(c) Balance is calculated based upon the average of the monthly ending balance averages during the applicable period.

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The average exchange rate used to translate current year Mexico Pawn results from Mexican pesos to U.S. dollars was 17.9 to 1, a 19% change from the prior-year rate of 15.1 to 1. We have experienced a prolonged weakening of the Mexican peso to the U.S. dollar and may continue to experience further weakening in future reporting periods, which may adversely impact our future operating results when stated on a GAAP basis.

Our Mexico Pawn operations continued to grow significantly, with the positive constant currency results largely offset by changes in foreign currency exchange rates. Core pawn revenue decreased $4.2 million, or 4%, on a GAAP basis, but increased $12.9 million, or 13%, on a constant currency basis. The change in core pawn revenue attributable to same store and new stores added since the prior-year is summarized as follows:

	Change in Core Pawn Revenue (GAAP)		
	Pawn Service Charges	Merchandise Sales	Total
	(in millions)		
Same stores	$0.7	$ (1.2)	$(0.5)
New stores and other	0.3	0.8	1.1
Buy/sell stores	(0.1)	(4.7)	(4.8)
Total	$0.9	$ (5.1)	$(4.2)

	Change in Core Pawn Revenue (Constant Currency)		
	Pawn Service Charges	Merchandise Sales	Total
	(in millions)		
Same stores	$6.5	$ 9.6	$16.1
New stores and other	0.4	1.0	1.4
Buy/sell stores	(0.1)	(4.5)	(4.6)
Total	$6.8	$ 6.1	$12.9

Pawn service charges increased 3% (22% increase on a constant currency basis) primarily as a result of continued focus on pawn loan growth. The average monthly ending pawn loan balances outstanding increased 8% (26% increase on a constant currency basis) from the prior year.

Gross margin on merchandise sales increased to 32% from 28% in the prior year as a result of improved execution in disposing of aged inventory from the prior year, as well as ongoing discipline in pawn loan valuation and retail pricing cadences. These positive operating developments drove an increase in merchandise sales gross profit of $1.3 million ($4.9 million increase on a constant currency basis).

Total segment expenses in the current year were $43.5 million or 46% of revenues ($50.0 million or 44% of revenues on a constant currency basis), compared to $51.3 million (51% of revenues) in the prior year. These changes were primarily due to:

- A $1.9 million decrease ($0.7 million increase on a constant currency basis) in operations expense due to staffing realignments and an increased participation in incentive compensation plans due to the substantial improvement in operating results in fiscal 2016 as compared to fiscal 2015;
- A $1.8 million decrease in rent expense primarily due to currency impacts ($0.1 million decrease in constant currency);
- A $1.4 million decrease in impairment charges from the prior year on both a GAAP and constant currency basis;
- A $1.5 million decrease in depreciation and amortization ($0.9 million decrease on a constant currency basis) expense as a result of ongoing savings realized from a lower depreciable fixed asset base as a result of our strategic review

completed in fiscal 2015; and

- A $1.1 million decrease in licenses and fees ($1.1 million reduction on a constant currency basis) in addition to other smaller items and additional foreign currency impacts.

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Grupo Finmart

The following table presents selected summary financial data from discontinued operations for Grupo Finmart, including constant currency results, after translation to U.S. dollars from its functional currency of the Mexican peso. See "Results of Operations — Non-GAAP Financial Information" above.

	Fiscal Year Ended September 30,				
	2016 (GAAP)	2015 (GAAP)	Percentage Change GAAP	2016 (Constant Currency)	Percentage Change (Constant Currency)
	(in thousands)			(in thousands)	
Revenues	$45,256	$68,369	(34)%	$ 53,648	(22)%
Consumer loan bad debt	30,081	26,446	14%	35,659	35%
Net revenues	15,175	41,923	(64)%	17,989	(57)%
Expenses (income):					
Operations	38,740	32,664	19%	45,924	41%
Impairment of goodwill (a)	73,244	—	*	73,244	*
Depreciation, amortization and other (b)	12,732	7,008	82%	4,544	(35)%
Interest expense, net	16,464	24,487	(33)%	19,517	(20)%
Gain on disposition (a)	(34,237)	—	*	(34,237)	*
Loss from discontinued operations before income taxes	$(91,768)	$(22,236)	*	$ (91,003)	*

* Represents an increase or decrease in excess of 100% or not meaningful.

(a) Amount not adjusted on a constant currency basis as charge occurred at a single point in time.

(b) Fiscal 2016 constant currency amount excludes a $8.6 million loss from net GAAP basis foreign currency transaction losses, including forward currency forwards, resulting from movement in exchange rates. The net foreign currency transaction losses including foreign currency forwards for fiscal 2015 were $4.4 million and are not excluded from the above results.

The average exchange rate used to translate current year Grupo Finmart results from Mexican pesos to U.S. dollars was 17.9 to 1, a 19% change from the prior-year rate of 15.1 to 1.

During January 2012, we acquired a 60% controlling interest in Grupo Finmart and began consolidating its results of operations. As of September 30, 2015 and prior to its disposition in September 2016, we owned a 94% controlling interest in Grupo Finmart. The results presented above and discussed below include the noncontrolling interest portion of Grupo Finmart's loss. Amounts discussed below are on a GAAP basis and include the impact of foreign currency effects as presented above.

We received net proceeds of $40.9 million from the disposition of Grupo Finmart in September 2016 in addition to certain notes receivable. See Note 3 of Notes to Consolidated Financial Statements included in "Part II, Item 8 — Financial Statements and Supplemental Data" for further discussion of the disposition of Grupo Finmart.

Total revenues decreased $23.1 million, or 34%, in fiscal 2016 to $45.3 million. Consumer loan bad debt increased $3.6 million in fiscal 2016 to $30.1 million. The overall decrease in net revenue was as a result of delays in collections and other factors.

Total expenses increased to $106.9 million in fiscal 2016 from $64.2 million in fiscal 2015 primarily due to:

- A $73.2 million goodwill impairment charge in fiscal 2016;
- An $8.0 million increase in business and professional fees primarily due to transaction and other costs related to the disposition of Grupo Finmart, partially offset by other decreases;
- A $4.2 million increase in foreign currency losses due to fluctuations in foreign currency exchange rates during fiscal 2016 as compared to fiscal 2015; and
- A $2.1 million loss on prepayment of outstanding notes payable in conjunction with the disposition of Grupo Finmart; partially offset by

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- A $34.2 million gain on disposition of Grupo Finmart in fiscal 2016; and
- An $8.0 million decrease in net interest expense due to a decrease in weighted-average third-party debt outstanding during fiscal 2016 as compared to fiscal 2015.

Loss from discontinued operations, net of tax for fiscal 2016 includes a $12.9 million income tax benefit associated with Grupo Finmart operations presented above.

Other International

The following table presents selected summary financial data from continuing operations for the Other International segment after translation to U.S. dollars from its functional currency of primarily Canadian and Australian dollars:

	Fiscal Year Ended September 30,		Percentage Change
	2016	2015	
	(in thousands)		
Net revenues:			
Consumer loan fees and interest	$8,769	$10,739	(18)%
Consumer loan bad debt	(1,965)	(3,125)	(37)%
Other revenues, net	9	706	(100)%
Net revenues	6,813	8,320	(18)%
Segment operating expenses:			
Operating expenses	7,803	7,396	6%
Loss from investment in unconsolidated affiliates	255	5,473	(95)%
Segment operating loss	(1,245)	(4,549)	(73)%
Other segment expenses	11,165	29,406	(62)%
Segment loss	$(12,410)	$(33,955)	(63)%

Segment loss from the Other International segment was $12.4 million, a decrease of $21.5 million, or 63%, from the prior-year. This decrease was primarily due to:

- A $15.9 million decrease in impairment of investments due to the current fiscal year impairment of our investment in Cash Converters International in the amount of $11.0 million ($7.2 million, net of taxes) as compared to the prior-year impairment of $26.8 million ($17.4 million, net of taxes);
- A $5.2 million decrease in loss from our unconsolidated affiliate. The loss of $0.3 million presented above for fiscal 2016 includes pre-tax charges totaling $11.8 million including restructuring costs, compliance provision and other, translated using applicable exchange rates in effect for EZCORP's year ended September 30, 2016;
- A $2.4 million decrease in restructuring costs due to substantial costs in the prior-year pertaining to our fiscal 2015 restructuring plan initiated in the fourth quarter of our fiscal 2015, which included the closure of 12 underperforming Canadian Cash Converters stores during fiscal 2015; partially offset by
- A $1.5 million decrease in segment net revenues due partially to wind down of certain Canadian operations; and
- A $0.4 million increase in segment operating expenses as a result of $2.6 million invested in building an IT marketing platform to provide targeted solutions for our pawn customers, offset by a $2.2 million overall decrease in expenses associated with the wind down of certain Canadian operations.

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Other Items

The following table reconciles our consolidated segment contribution discussed above to net loss attributable to EZCORP, Inc., including items that affect our consolidated financial results but are not allocated among segments:

	Fiscal Year Ended September 30,		Percentage Change
	2016	2015	
	(in thousands)		
Segment contribution	$96,154	$44,908	*
Corporate expenses (income):			
Administrative	68,101	72,986	(7)%
Depreciation and amortization	11,117	10,676	4%
Loss on sale or disposal of assets	269	1,407	(81)%
Restructuring	183	9,702	(98)%
Interest expense	16,243	16,310	—
Interest income	(49)	(158)	(69)%
Other (income) expense	(73)	192	*
Income (loss) from continuing operations before income taxes	363	(66,207)	*
Income tax expense (benefit)	9,361	(14,025)	*
Loss from continuing operations, net of tax	(8,998)	(52,182)	(83)%
Loss from discontinued operations, net of tax	(79,432)	(42,045)	89%
Net loss	(88,430)	(94,227)	(6)%
Net loss attributable to noncontrolling interest	(7,686)	(5,035)	53%
Net loss attributable to EZCORP, Inc.	$(80,744)	$(89,192)	(9)%

*Represents an increase or decrease in excess of 100% or not meaningful.

Net income from continuing operations before income taxes increased $66.6 million from the prior-year to income of $0.4 million in the current year primarily due to:

- A $51.2 million increase in segment contributions of $20.2 million, $21.5 million and $9.5 million from the U.S. Pawn, Other International and Mexico Pawn segments, respectively;
- A $9.5 million decrease in restructuring expense primarily due to restructuring actions initiated in prior fiscal years which have wound down; and
- A $4.9 million decrease in administrative expense due primarily to a $3.6 million decrease in salaries and related costs, a $3.4 million decrease in litigation and related costs and $5.8 million in various other individually small reductions in corporate costs, including a reduction in restatement related costs, offset by a $8.0 million increase in short-term and long-term incentive programs. Administrative expenses include $4.2 million of fiscal 2015 restatement related expenses recorded in fiscal 2016; partially offset by
- A $0.4 million increase in depreciation and amortization expense.

Income taxes increased $23.4 million, to a $9.4 million expense in the current year, primarily due to the $66.6 million decrease in loss from continuing operations before income taxes, in addition to various permanent differences.

In fiscal 2016, we sold our Grupo Finmart business. As a result, loss from discontinued operations, net of tax includes a gain of $34.2 million and a $2.1 million loss, which we expect to recoup through receipt of future note receivable payments, on assumption of existing Grupo Finmart debt, before taxes. The gain does not take into consideration the total costs associated with the transaction, which were $9.8 million, approximately $8.0 million of which were recorded under “Loss from discontinued operations, net of tax” in our consolidated statements of operations in fiscal 2016 and the remaining $1.8 million of which will be recorded under “Loss from discontinued operations, net of tax” in our consolidated statements of operations in future periods due to ongoing employee service requirements. See “Results of Operations — Grupo Finmart” above for additional information.

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Fiscal 2015 vs. Fiscal 2014

Summary Financial Data

The following table presents selected summary consolidated financial data for our fiscal years ended September 30, 2015 and 2014. This table, as well as the discussion that follows, should be read with the consolidated financial statements and related notes included in "Part II, Item 8 — Financial Statements and Supplementary Data."

	Fiscal Year Ended September 30,		Change
	2015	2014	
	(in thousands)		
Net revenues:			
Pawn service charges	$247,204	$248,378	—
Merchandise sales	402,118	388,022	4%
Merchandise sales gross profit	134,329	139,385	(4)%
Gross margin on merchandise sales	33 %	36 %	(300) bps
Jewelry scrapping sales	57,973	96,241	(40)%
Jewelry sales gross profit	11,907	23,411	(49)%
Gross margin on jewelry scrapping sales	21 %	24 %	(300) bps
Other revenues, net	9,580	10,683	(10)%
Net revenues	403,020	421,857	(4)%
Operating expenses	418,623	403,763	4%
Non-operating expenses	50,604	10,205	*
(Loss) income from continuing operations before income taxes	(66,207)	7,889	*
Income tax (benefit) expense	(14,025)	4,451	*
(Loss) income from continuing operations, net of tax	(52,182)	3,438	*
Loss from discontinued operations, net of tax	(42,045)	(77,474)	(46)%
Net loss	(94,227)	(74,036)	27%
Net loss attributable to noncontrolling interest	(5,035)	(6,319)	(20)%
Net loss attributable to EZCORP, Inc.	$(89,192)	$(67,717)	32%
Net pawn earning assets:			
Pawn loans	$159,964	$162,444	(2)%
Inventory, net	124,084	138,175	(10)%
Total net pawn earning assets	$284,048	$300,619	(6)%

* Represents an increase or decrease in excess of 100% or not meaningful.

Total revenues for fiscal 2015 were $720.0 million compared to $745.8 million for fiscal 2014, a 3% decrease. Excluding jewelry scrapping sales, total revenues increased $12.5 million, driven by increased merchandise sales and pawn service charges.

Total operating expenses increased $14.9 million, or 4%, from fiscal 2014. This increase was primarily due to:

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- A $10.4 million increase in restructuring expense related to our fiscal 2015 restructuring plan aimed to streamline our structure and operating model to improve overall efficiency and reduce costs;
- An $8.5 million decrease in gain on sale or disposal of assets, primarily due to the sale of seven U.S. pawn stores during fiscal 2014; and
- A $1.4 million increase in depreciation expense primarily attributable to assets placed in service as we continue to invest in the infrastructure to support our growth; partially offset by

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- A $7.0 million decrease in administrative expense due to a $15.3 million decrease in labor expenses and associated costs primarily attributable to the discontinuance of USFS operations. The decrease in labor and associated costs was partially offset by a $3.2 million increase in professional fees as a result of the review of our Grupo Finmart loan portfolio and the restatement of previously-issued financial statements. The overall cost of the Grupo Finmart loan review and restatement that had been incurred as of September 30, 2015 was $4.1 million.

Total non-operating expenses increased $40.4 million from fiscal 2014. This increase was primarily due to:

- Impairment of our investment in Cash Converters International in fiscal 2015 in the amount of $26.8 million ($17.4 million, net of taxes), as compared to an impairment of our investment in Albemarle & Bond in fiscal 2014 in the amount of $7.9 million ($5.4 million, net of taxes);
- An $8.5 million increase in interest expense in fiscal 2015 due to increased interest on our 2.125% Cash Convertible Notes as a result of the full year inclusion of such notes, which were issued in June and July 2014 and the payment of additional interest during a portion of fiscal 2015 due to our delinquency in filing quarterly reports for the second and third quarters of fiscal 2015, which was cured on November 9, 2015;
- An $11.4 million decrease in income from our unconsolidated affiliates primarily due to after-tax charges of $5.4 million due to a contract termination, $3.7 million due to a class-action litigation settlement and $1.2 million due to impairments of goodwill and long-lived assets recorded by our unconsolidated affiliate; and
- A $1.6 million increase in other expense primarily due to net foreign currency transaction losses in fiscal 2015 as a result of movement in exchange rates affecting the revaluation of intercompany amounts and foreign currency debt outstanding.

Income taxes increased $18.5 million to a benefit of $14.0 million, primarily due to the $74.1 million increase in loss from continuing operations before income taxes.

In fiscal 2016, we sold our Grupo Finmart business. As a result, we have recast the operating results of Grupo Finmart for fiscal 2015 and 2014 as discontinued operations. Our fiscal 2015 and 2014 loss from discontinued operations, net of tax includes a $22.2 million and $19.1 million loss, respectively, from Grupo Finmart operations before income taxes.

In fiscal 2015, we announced our exit from the USFS business. We incurred $42.4 million in pre-tax termination costs in fiscal 2015 which includes $10.6 million in goodwill impairment charges, $1.7 million in long-lived asset impairments, $21.0 million estimated costs related to regulatory compliance, employee severance and accelerated amortization of prepaid expenses and other assets, $7.4 million in asset write-downs to liquidation value and $1.7 million in lease termination costs.

In fiscal 2014, we announced our exit from the online lending markets in United States and the United Kingdom. As a result we incurred $103.1 million in pre-tax termination costs from our discontinued operations which includes $84.2 million in goodwill impairment charges, $11.8 million in long-lived assets impairments, $7.6 million of estimated costs related to regulatory compliance, employee severance and accelerated amortization of prepaid expenses and other assets, $2.9 million in asset write-downs to liquidation value and $1.5 million in lease termination costs, partially offset by a $4.8 million reversal of contingent consideration payable.

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U.S. Pawn

The following table presents selected summary financial data from continuing operations for the U.S. Pawn segment:

	Fiscal Year Ended September 30,		Change
	2015	2014	
	(in thousands)		
Net revenues:			
Pawn service charges	$216,211	$217,891	(1)%
Merchandise sales	334,635	325,337	3%
Merchandise sales gross profit	115,682	120,193	(4)%
Gross margin on merchandise sales	35 %	37 %	(200) bps
Jewelry scrapping sales	54,343	89,471	(39)%
Jewelry scrapping sales gross profit	11,498	22,758	(49)%
Gross margin on jewelry scrapping sales	21 %	25 %	(400) bps
Other revenues, net	945	1,372	(31)%
Net revenues	344,336	362,214	(5)%
Segment operating expenses:			
Operations	244,232	236,225	3%
Depreciation and amortization	15,227	13,333	14%
Segment operating contribution	84,877	112,656	(25)%
Other segment expenses (income)	5,029	(6,823)	*
Segment contribution	$79,848	$119,479	(33)%
Other data:			
Net earning assets — continuing operations	$251,068	$260,065	(3)%
Inventory turnover — general merchandise (a)	2.8	2.5	12%
Inventory turnover — jewelry (a)	1.1	1.7	(35)%
Average monthly ending pawn loan balance per store (b)	$252	$270	(7)%
Monthly average yield on pawn loans outstanding	14 %	13 %	100 bps
Pawn loan redemption rate	84 %	83 %	100 bps

* Represents an increase or decrease in excess of 100% or not meaningful.

(a) Calculation of inventory turnover excludes the effects of scrapping.

(b) Balance is calculated based on the average of the monthly ending balance averages during the applicable period.

Net revenue decreased 5% ($17.9 million), with core pawn revenue increasing $7.6 million, or 1%, from fiscal 2014. The increase in core pawn revenue attributable to same stores and new stores added during fiscal 2015 is summarized as follows:

	Change in Core Pawn Revenue		
	Pawn Service Charges	Merchandise Sales	Total
	(in millions)		

Same stores	$(2.8)	$ 5.2	$ 2.4
New stores and other	1.1	4.1	5.2
Total	$(1.7)	$ 9.3	$ 7.6

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Pawn service charges decreased 1%, with the monthly average yield increasing to 14% (13% in fiscal 2014), offset by the reduction in average monthly ending pawn loans outstanding of 7%.
Gross margin on merchandise sales decreased to 35% from 37% in fiscal 2014 as a result of liquidating approximately 50% of aged inventory. We reduced aged general merchandise inventory to 5% from 8% and aged jewelry inventory to 15% from 31% in fiscal 2014. This decrease caused a 3% increase in merchandise sales of $9.3 million, with a reduction in merchandise sales gross profit of $4.5 million.
Gross margin on jewelry scrapping sales decreased to 21% from 25% in fiscal 2014 as a result of an 8% decrease in proceeds realized per gram of gold jewelry scrapped, coupled with a 33% decrease in gold volume, primarily as a result of our continued strategy to sell rather than scrap jewelry.
Total segment expenses increased to $264.5 million (44% of revenues) in fiscal 2015 from $242.7 million (38% of revenues) in fiscal 2014 primarily due to:

- An $8.0 million, or 3%, increase in operations expense primarily attributable to a $3.3 million increase in rent expense due to the addition of 25 new and acquired stores during fiscal 2015 and a $5.3 million impairment of long-lived intangible and fixed assets attributable to the underperformance of certain U.S. Pawn store locations, partially offset by a $1.3 million decrease in advertising expense;
- A $1.9 million, or 14%, increase in depreciation and amortization expense primarily attributable to assets placed in service as we continue to invest in the infrastructure to support our growth;
- A $7.8 million decrease in gain on sale or disposal of assets attributable to a $6.8 million gain realized on the sale of seven U.S. pawn stores during fiscal 2014; and
- A $4.0 million increase in restructuring expense related to our fiscal 2015 restructuring plan aimed to streamline our structure and operating model to improve overall efficiency and reduce costs, which included the closure of 12 underperforming U.S. Pawn stores during fiscal 2015.

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Mexico Pawn

The following table presents selected summary financial data from continuing operations for the Mexico Pawn segment after translation to U.S. dollars from its functional currency of the Mexican peso:

	Fiscal Year Ended September 30,				
	2015 (GAAP)	2014 (GAAP)	Change (GAAP)	2015 (Constant Currency)	Change (Constant Currency)
	(in thousands)			(in thousands)	
Net revenues:					
Pawn service charges	$30,993	$30,487	2%	$35,725	17%
Merchandise sales	65,408	60,302	8%	75,394	25%
Merchandise sales gross profit	18,037	18,258	(1)%	20,791	14%
Gross margin on merchandise sales	28 %	30 %	(200) bps	28 %	(200) bps
Jewelry scrapping sales	3,267	6,302	(48)%	3,766	(40)%
Jewelry scrapping sales gross profit	313	495	(37)%	361	(27)%
Gross margin on jewelry scrapping sales	10 %	8 %	200 bps	10 %	200 bps
Other revenues	1,021	1,016	—	1,177	16%
Net revenues	50,364	50,256	—	58,054	16%
Segment operating expenses:					
Operations	43,927	48,907	(10)%	50,633	4%
Depreciation and amortization	4,440	5,374	(17)%	5,118	(5)%
Segment operating contribution (loss)	1,997	(4,025)	*	2,303	*
Other segment expenses (a)	2,982	165	*	1,145	*
Segment (loss) contribution	$(985)	$(4,190)	(76)%	$1,158	*
Other data:					
Net earning assets — continuing operations	$32,966	$39,976	(18)%	$41,993	5%
Inventory turnover (b)	2.7	2.4	13%	2.6	8%
Average monthly ending total pawn loan balances per store (c)	$65	$64	2%	$82	28%
Monthly average yield on pawn loans outstanding	16 %	16 %	—	16 %	—
Pawn loan redemption rate	77 %	77 %	—	77 %	—

* Represents an increase or decrease in excess of 100% or not meaningful.

(a) Fiscal 2015 constant currency

amount excludes $2.0 million of net GAAP basis foreign currency transaction losses resulting from movement in exchange rates. The net foreign currency transaction losses for fiscal 2014 were $0.1 million and are not excluded from the above results.

(b) Calculation of inventory turnover excludes the effects of scrapping.

(c) Balance is calculated based on the average of the monthly ending balance averages during the applicable period.

The average exchange rate used to translate fiscal 2015 Mexico Pawn results from Mexican pesos to U.S. dollars was 15.1 to 1, a 15% change from the fiscal 2014 rate of 13.1 to 1. We have experienced a prolong weakening of the Mexican peso to the U.S. dollar and may continue to experience such weakening in future reporting periods.

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Our Mexico Pawn operations continued to grow significantly, with core pawn revenue increasing $5.6 million, or 6% (increasing $20.3 million, or 22% on a constant currency basis) from fiscal 2014. The increase in core pawn revenue attributable to same store and new stores added in fiscal 2015 is summarized as follows:

	Change in Core Pawn Revenue (GAAP)		
	Pawn Service Charges	Merchandise Sales	Total
	(in millions)		
Same stores	$2.1	$ 8.2	$10.3
New stores and other	(1.8)	(4.4)	(6.2)
Buy/sell stores	0.2	1.3	1.5
Total	$0.5	$ 5.1	$5.6

	Change in Core Pawn Revenue (Constant Currency)		
	Pawn Service Charges	Merchandise Sales	Total
	(in millions)		
Same stores	$6.5	$ 9.6	$16.1
New stores and other	0.4	1.0	1.4
Buy/sell stores	(1.7)	4.5	2.8
Total	$5.2	$ 15.1	$20.3

Pawn service charges increased 2% (17% on a constant currency basis), with the actual yield remaining constant at 16% on both a GAAP and constant currency basis and average monthly ending pawn loan balance per store increasing 2% (28% on a constant currency basis).

Gross margin on merchandise sales decreased to 28% from 30% in fiscal 2014. We reduced aged general merchandise inventory to 4% from 23% and aged jewelry inventory to a nominal amount from 15% in fiscal 2014.

Total segment expenses decreased to $51.3 million or 51% of revenues ($56.9 million or 49% of revenues on a constant currency basis) in fiscal 2015 from $54.4 million or 55% of revenues in fiscal 2014. The decrease was primarily due to foreign currency impacts, offset by a $1.7 million impairment in goodwill associated with our Tuyo reporting unit.

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Grupo Finmart

The following table presents selected summary financial data from discontinued operations for Grupo Finmart, including constant currency results, after translation to U.S. dollars from its functional currency of the Mexican peso. See "Results of Operations — Non-GAAP Financial Information" above.

	Fiscal Year Ended September 30,				
	2015 (GAAP)	2014 (GAAP)	Percentage Change (GAAP)	2015 (Constant Currency)	Percentage Change (Constant Currency)
	(in thousands)			(in thousands)	
Revenues	$68,369	$54,522	25%	$78,807	45%
Consumer loan bad debt	26,446	19,605	35%	30,484	55%
Net revenues	41,923	34,917	20%	48,323	38%
Expenses:					
Operations	32,664	32,184	1%	37,651	17%
Depreciation, amortization and other (a)	7,008	2,382	*	2,979	25%
Interest expense, net	24,487	19,479	26%	28,226	45%
Loss from discontinued operation before income taxes	$(22,236)	$(19,128)	16%	$(20,533)	7%

* Represents an increase or decrease in excess of 100% or not meaningful.

(a) Fiscal 2015 constant currency amount excludes $4.4 million of net GAAP basis foreign currency transaction losses resulting from movement in exchange rates. The net foreign currency transaction gains for fiscal 2014 were $0.1 million and are not excluded from the above results.

The average exchange rate used to translate fiscal 2015 Grupo Finmart results from Mexican pesos to U.S. dollars was 15.1 to 1, a 15% change from the fiscal 2014 rate of 13.1 to 1.

During January 2012 we acquired a 60% controlling interest in Grupo Finmart and began consolidating its results of operations. As of September 30, 2015 and 2014 we owned a 94% and 76% controlling interest, respectively, in Grupo Finmart. The results presented above and discussed below include the noncontrolling interest portion of Grupo Finmart's segment loss. For information about our ownership in Grupo Finmart, see Note 4 of Notes to Consolidated Financial Statements included in "Part II, Item 8 — Financial Statements and Supplementary Data." Amounts discussed below are on a GAAP basis and include the impact of foreign currency effects as presented above.

Grupo Finmart total revenues increased $13.8 million, or 25%, in fiscal 2015 to $68.4 million, primarily due to an increase in consumer loan fees and interest. This increase was attributable to income amortized from previously originated loans, coupled with an increase in the consumer loan originations during fiscal 2015.

Consumer loan bad debt increased $6.8 million, or 35%, from fiscal 2014 to $26.4 million due to an increase in the number of loans becoming non-performing during fiscal 2015.

Total expenses increased to $64.2 million (94% of revenues) in fiscal 2015 from $54.0 million (99% of revenues) in fiscal 2014 primarily due to:

- A $5.0 million, or 26%, increase in net interest expense due to a similar increase in weighted-average debt outstanding during fiscal 2015 from fiscal 2014; and
- A $4.3 million increase in foreign currency losses due to fluctuations in foreign currency exchange rates during fiscal 2015 as compared to fiscal 2014.

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Other International

The following table presents selected summary financial data from continuing operations for the Other International segment after translation to U.S. dollars from its functional currency of primarily Canadian and Australian dollars:

	Fiscal Year Ended September 30,		Percentage Change
	2015	2014	
	(in thousands)		
Net revenues:			
Consumer loan fees and interest	$10,739	$10,736	—%
Consumer loan bad debt	(3,125)	(2,441)	28%
Other revenues, net	706	1,092	(35)%
Net revenues	8,320	9,387	(11)%
Segment operating expenses (income):			
Operating expenses	7,396	9,422	(22)%
Loss (income) from investments in unconsolidated affiliates	5,473	(5,948)	*
Segment operating (loss) contribution	(4,549)	5,913	*
Other segment expenses	29,406	8,026	*
Segment loss	$(33,955)	$(2,113)	*

*Represents an increase or decrease in excess of 100% or not meaningful.

Segment loss from the Other International segment increased $31.8 million from fiscal 2014 to a loss of $34.0 million in fiscal 2015 primarily due to:

- An $11.4 million decrease in income from our unconsolidated affiliates primarily due to a $40.2 million decrease in Cash Converters International's profit attributable to owners of the company during its fiscal year ended June 30, 2015, mainly attributable to charges of $26.4 million ($5.4 million after-tax financial impact to EZCORP) in contract termination charges, $17.7 million ($3.7 million after-tax financial impact to EZCORP) for class-action litigation settlement and $5.9 million ($1.2 million financial impact to EZCORP) for impairments of goodwill and long-lived assets;
- An $18.9 million increase in impairment of investments due to the fiscal 2015 impairment of our investment in Cash Converters International in the amount of $26.8 million ($17.4 million, net of taxes), as compared to the fiscal 2014 impairment of our investment in Albemarle & Bond in the amount of $7.9 million ($5.4 million, net of taxes), which brought our carrying value of this investment to zero; and
- A $2.6 million increase in restructuring expense related to our fiscal 2015 restructuring plan aimed to streamline our structure and operating model to improve overall efficiency and reduce costs, which included the closure of 12 underperforming Canadian Cash Converters stores during fiscal 2015.

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Other Items

The following table reconciles our consolidated segment contribution discussed above to net loss attributable to EZCORP, Inc., including items that affect our consolidated financial results but are not allocated among segments:

	Fiscal Year Ended September 30, 2015	2014	Percentage Change
	(in thousands)		
Segment contribution	$ 44,908	$ 113,176	(60)%
Corporate expenses (income):			
Administrative	72,986	79,944	(9)%
Depreciation and amortization	10,676	9,735	10%
Loss on sale or disposal of assets	1,407	964	46%
Restructuring	9,702	6,664	46%
Interest expense	16,310	7,883	*
Interest income	(158)	(278)	(43)%
Other expense	192	375	(49)%
(Loss) income from continuing operations before income taxes	(66,207)	7,889	*
Income tax (benefit) expense	(14,025)	4,451	*
Loss from continuing operations, net of tax	(52,182)	3,438	*
Loss from discontinued operations, net of tax	(42,045)	(77,474)	(46)%
Net loss	(94,227)	(74,036)	27%
Net loss attributable to noncontrolling interest	(5,035)	(6,319)	(20)%
Net loss income attributable to EZCORP, Inc.	$ (89,192)	$ (67,717)	32%

*Represents an increase or decrease in excess of 100% or not meaningful.

Net income from continuing operations before income taxes decreased $74.1 million from fiscal 2014 to a loss of $66.2 million in fiscal 2015 primarily due to:

- A $68.3 million, or 60%, decrease in segment contribution primarily due to a $39.6 million and $31.8 million decrease in segment contribution from the U.S. Pawn and Other International segments, respectively, offset by a $3.2 million increase in segment contribution from the Mexico Pawn segment;
- A $3.0 million increase in restructuring expense related to our fiscal 2015 restructuring plan aimed to streamline our structure and operating model to improve overall efficiency and reduce costs; and
- An $8.4 million increase in interest expense primarily due to increased interest on our 2.125% Cash Convertible Notes as a result of the full year inclusion of such notes, which were issued in June and July 2014, and the payment of additional interest during a portion of fiscal 2015 due to our delinquency in filing quarterly reports for the second and third quarters of fiscal 2015, which was cured on November 9, 2015; partially offset by
- A $7.0 million decrease in administrative expense due to a $15.3 million decrease in labor expenses and associated costs primarily attributable to the discontinuance of USFS operations. Professional fees primarily associated with the review of our Grupo Finmart loan portfolio and the restatement of previously-issued financial statements increased by $3.2 million.

Income tax benefit increased $18.5 million to $14.0 million, primarily due to the $74.1 million increase in loss from continuing operations before income taxes.

In fiscal 2016, we sold our Grupo Finmart business. As a result, we have recast the operating results of Grupo Finmart for fiscal 2015 and 2014 as discontinued operations. Our fiscal 2015 and 2014 loss from discontinued operations, net of tax includes a $22.2 million and $19.1 million loss, respectively, from Grupo Finmart operations before income taxes.

In fiscal 2015, we announced our exit from the USFS business. We incurred $42.4 million in pre-tax termination costs in fiscal 2015, which includes $10.6 million in goodwill impairment charges, $1.7 million in long-lived asset impairments, $21.0

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million estimated costs related to regulatory compliance, employee severance and accelerated amortization of prepaid expenses and other assets, $7.4 million in asset write-downs to liquidation value and $1.7 million in lease termination costs.

In fiscal 2014, we announced our exit from the online lending markets in United States and the United Kingdom. As a result we incurred $103.1 million in pre-tax termination costs from our discontinued operations, which includes $84.2 million in goodwill impairment charges, $11.8 million in long-lived assets impairments, $7.6 million of estimated costs related to regulatory compliance, employee severance and accelerated amortization of prepaid expenses and other assets, $2.9 million in asset write-downs to liquidation value and $1.5 million in lease termination costs, partially offset by a $4.8 million reversal of contingent consideration payable.

Liquidity and Capital Resources

Cash Flows

The table below presents a summary of the selected sources and uses of our cash:

	Fiscal Year Ended September 30, 2016	2015	Percentage Change
	(in thousands)		
Cash flows from operating activities	$64,403	$79,398	(19)%
Cash flows from investing activities	6,716	(67,693)	*
Cash flows from financing activities	(63,156)	2,402	*
Effect of exchange rate changes on cash and cash equivalents	(1,350)	(10,308)	87%
Net increase in cash and cash equivalents	$6,613	$3,799	74%

*Represents an increase or decrease in excess of 100% or not meaningful.

Change in Cash and Cash Equivalents for Fiscal 2016 vs. Fiscal 2015

The decrease in cash flows from operating activities was primarily due to a $39.4 million decrease in net loss plus several non-cash items, a $3.1 million increase in restructuring payments and a $2.6 million decrease in dividends received from our unconsolidated affiliate, partially offset by a $30.1 million increase in changes in operating assets and liabilities, including $34.2 million received in March 2016 as a result of the carryback of fiscal 2015 tax net operating losses.

The increase in cash flows from investing activities was primarily due to $35.3 million in net cash proceeds from disposition of Grupo Finmart, a $11.0 million increase in net proceeds related to loan activities, a $1.8 million decrease in acquisitions, net of cash acquired, a $12.1 million increase as a result of no additional investments in Cash Converters International in fiscal 2016 and a $14.7 million decrease in additions to property and equipment, offset by a $0.6 million decrease in proceeds from sale of assets.

The decrease in cash flows from financing activities was primarily due to a $45.6 million increase in net payments on borrowings, a $32.8 million decrease in restricted cash, a $9.0 million increase in payout of deferred consideration as we finalized payments on a previous acquisition and an $11.8 million repurchase of common stock issued in connection with a previous acquisition, partially offset by a $32.4 million decrease in purchases of subsidiary shares from noncontrolling interests.

The effect of exchange rates on cash and cash equivalents was substantial as a result of the decline in the value of the Mexican peso against the United States dollar during fiscal 2016.

The net effect of these and other smaller items was a $6.6 million increase in cash on hand during fiscal 2016, providing a $65.7 million ending cash balance, $3.9 million of which was held by foreign subsidiaries and was not available to fund domestic operations as we intend to indefinitely earnings from foreign operations.

Cash flows from discontinued operations are aggregated with cash flows from continuing operations in the statements of cash flows. We are unable to bifurcate consolidated cash flows into cash flows attributable to continuing operations and discontinued operations prior to fiscal 2016 as certain of these cash flows pertain to consolidated operations. Grupo Finmart cash flows are presented separately in Note 3 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplementary Data.”

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Cash Overview
As of September 30, 2016, our primary source of liquidity was $65.7 million in cash and cash equivalents. Of this amount, approximately 6%, or $3.9 million, was held by foreign subsidiaries, portions of which we may be unable to repatriate without incurring United States income taxes. We actively manage our cash in order to fund operating needs, make scheduled interest and principal payments on our borrowings and make acquisitions.
Sources and Uses of Cash
Sale of Grupo Finmart
On September 27, 2016, we completed the previously announced sale of all of our equity interests in Grupo Finmart to AlphaCredit. The sale was completed substantially in accordance with the terms set forth in the Purchase Agreement. Pursuant to the Purchase Agreement, AlphaCredit purchased all of EZCORP's equity interests in Grupo Finmart, representing 93.78% of the issued and outstanding equity interests of Grupo Finmart, as well as a portion of the remaining interests held by the minority shareholders. The aggregate base price for 100% of Grupo Finmart was $50.0 million, subject to certain adjustments specified in the Purchase Agreement. Certain of the minority shareholders retained their equity interests in Grupo Finmart by entering into a shareholder agreement negotiated with AlphaCredit, and the portion of the purchase price attributable to such equity interests has been retained by AlphaCredit. Taking into consideration the $2.7 million attributable to the interests of the minority shareholders and following application of the purchase price adjustments (principally, working capital and non-operating debt adjustments), the purchase price payable to EZCORP was $40.9 million and, subject to the escrow amount described below, was paid in cash at closing. The purchase price is subject to final balance sheet adjustments within 90 days of closing.
An amount equal to 10% of the adjusted purchase price ($4.1 million) is subject to indemnification claims and is held in escrow for up to 18 months. AlphaCredit may also elect to withdraw funds from the escrow account to recover any amounts owed to it by reason of any post-closing purchase price adjustment. An additional $11.5 million was placed in a separate escrow account for tax purposes and was released to us on September 29, 2016 upon the filing and delivery of certain required tax documentation.
The amount of intercompany indebtedness owed by Grupo Finmart to EZCORP at the time of closing ($60.2 million) was restructured into two notes issued by Grupo Finmart and guaranteed by AlphaCredit. Each note provides for quarterly interest payments and accrued principal repayments in installments over three years on the anniversary dates of the closing (30% on the first anniversary, 40% on the second anniversary and 30% on the third anniversary). The note governing the Mexican Peso denominated debt (principal amount of $8.2 million) is payable in Mexican Pesos at a 7.5% per annum interest rate, and the note governing the U.S. Dollar denominated debt (principal amount of $52.0 million) is payable in U.S. Dollars at a 4% per annum interest rate.
The Purchase Agreement provides for certain indemnification obligations of both EZCORP and AlphaCredit, subject to certain limitations. Generally, the maximum amount of our indemnification obligations is (1) 15% of the adjusted purchase price for general representations and warranties, (2) 25% of the adjusted purchase price for Special Representations (as defined in the Purchase Agreement) and (3) 100% of the proceeds received from AlphaCredit for all other indemnification obligations, including Fundamental Representations (as defined in the Purchase Agreement).
In addition, in connection with the closing, we paid a total of $31.1 million, including future interest payments and penalties, to existing Grupo Finmart lenders and stepped into the position of those lenders, including related collateral, and assumed the receivable from Grupo Finmart with no change in terms. All of this debt is scheduled to be repaid to us through December 2017.
This debt includes $25.3 million in total future payments pertaining to consolidated variable interest entity (“VIE”) debt supported by certain foreign currency hedge obligations of Grupo Finmart. We had previously guaranteed Grupo Finmart’s obligations under those hedge contracts, and our guarantee was unaffected by the sale. However, because our guarantee relates to underlying debt that is now owed to us, we do not anticipate any losses arising from the guarantee. Further, AlphaCredit, subject to certain exceptions, has agreed to reimburse us for any amounts we are required to pay under the guarantee. Although these guarantees offset each other, each is shown separately on our consolidated balance sheet at September 30, 2016 (our guarantee as a liability and the AlphaCredit backup guarantee as an asset).

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All debt held by Grupo Finmart and its previously consolidated VIEs has been deconsolidated and is no longer included in the consolidated accounts of EZCORP as of September 30, 2016. For an additional description of the disposition of Grupo Finmart, see Note 3 of Notes to Consolidated Financial Statements included in "Part II, Item 8 — Financial Statements and Supplementary Data."

Term Loan Facility up to $100 Million

On September 12, 2016 (the "Closing Date"), EZCORP, Inc. (as Borrower) and certain of its subsidiaries (as Guarantors) entered into a "Financing Agreement" with certain lenders (the "Lenders") and Fortress Credit Co LLC (as collateral and administrative agent for the Lenders).

The Financing Agreement provides for a senior secured credit facility in an aggregate principal amount of $100 million, subject to various terms and conditions contained in the Financing Agreement. The credit facility ("Term Loan Facility") consists of an initial Term Loan of $50 million ("Initial Term Loan") that was drawn on the Closing Date, and one or more "Delayed Draw Term Loans" of up to $50 million in the aggregate that may be drawn in whole or in part at any time and from time to time during the first 18 months from the Closing Date.

Borrowings under the new facility bear interest at an annual rate initially equal to the London Interbank Offered Rate ("LIBOR") plus 7.5% or, at our election, a "Reference Rate" plus 6.5%, but will be reduced to LIBOR plus 6.5% or, at our election, the Reference Rate plus 5.5% upon the later of December 31, 2017 or the occurrence of a specified investment return event. In any case, the LIBOR rate is subject to a floor of 1% and the Reference Rate is subject to a floor of 3%. We will also pay a monthly fee of 2.75% per annum on the average daily unused portion of the Delayed Draw Term Loan facility and a quarterly loan servicing fee of $15,000. On the Closing Date, we paid a closing fee of 1.75% of the Initial Term Loan and a commitment fee equal to 0.875% of the Delayed Draw Term Loan commitment which were capitalized and will be amortized over the expected term of the Financing Agreement. At the time of each draw under the Delayed Draw Term Loan Facility, we will pay a funding fee of 0.875% of the funded Delayed Draw Term Loan.

All amounts outstanding under the new facility must be repaid on the Final Maturity Date, which will occur on September 12, 2022 (six years after the Closing Date); provided, however, that the Final Maturity Date will occur on May 15, 2019 if, on that date, more than 10% of our 2.125% Cash Convertible Senior Notes Due 2019 ("Cash Convertible Notes") remain outstanding or there is no lender-approved plan to refinance any lesser outstanding amount of the Cash Convertible Notes. The new facility is subject to mandatory prepayments upon the occurrence of certain specified events, such as asset sales, certain debt issuances, certain equity issuances, casualty and condemnation events and receipt of tax refunds or proceeds of settlements or judgments (subject to customary exceptions, materiality thresholds and reinvestment rights). We may voluntarily prepay the facility at any time subject to a prepayment premium of 2% during the first year after the Closing Date and 1% during the second year after the Closing Date.

Borrowings under the new facility are secured by first priority security interests in and liens on substantially all of the tangible and intangible personal property and assets of EZCORP and its domestic subsidiaries, including equity interests in EZCORP's domestic subsidiaries and certain of its foreign subsidiaries (subject to customary exceptions and exclusions).

The Financing Agreement contains affirmative and negative covenants, indemnities, representations and warranties, and other terms and conditions customary for financings of this type, including limitations on certain indebtedness, liens, acquisitions and other investments, fundamental changes (including mergers, consolidations and dissolutions), asset dispositions, dividends and other distributions, prepayments of other indebtedness, sale and leaseback transactions, and transactions with affiliates. The Financing Agreement also contains quarterly financial covenants consisting of a maximum Senior Leverage Ratio and a minimum Fixed Charge Coverage Ratio, as well as customary events of default.

Upon the occurrence, and during the continuance, of an Event of Default, including nonpayment of principal when due, failure to perform or observe certain terms, covenants or agreements under the Financing Agreement, and certain defaults of other indebtedness, the Administrative Agent may (and at the request of Lenders holding more than 50% of the outstanding Term Loans, shall) take any or all of the following actions: terminate the obligation of the Lenders to make advances, declare any outstanding obligations under the Financing Agreement immediately due and payable, and charge default interest on the outstanding Term Loans. In addition, in the event of certain bankruptcy proceedings

and other insolvency events, the obligations of each Lender to make advances will automatically terminate and any outstanding obligations under the Financing Agreement will immediately become due and payable.
For an additional information about the Term Loan Facility, see Note 10 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplementary Data.”

Other
We received $34.2 million in March 2016 as a result of the carryback of fiscal 2015 tax net operating losses.
On February 1, 2016, we acquired six pawn stores in the Houston, Texas area doing business under the "Pawn One" brand. The aggregate purchase price was $6.2 million in cash, inclusive of all ancillary arrangements. There was no additional deferred or contingent consideration
In February 2015, we completed the acquisition of 12 pawn stores in Central Texas doing business under the "Cash Pawn" brand. The aggregate purchase price for the acquisition was $16.5 million, comprised of $5.0 million cash and 1,168,456 shares of our Class A Non-Voting Common Stock (the "Shares"), valued at $10.06 per share (the average closing sales price of the stock on The Nasdaq Stock Market for the five trading days immediately preceding the closing). Under the terms of the transaction, on the first anniversary of the closing date, the Sellers had the right to require us to repurchase the Shares for an aggregate price of $11.8 million (the "Put Option"). On the first anniversary of the closing date, the Sellers exercised their right to require us to repurchase the Shares for an aggregate price of $11.8 million (the "Put Option").
Through September 30, 2016, we have issued payments for the full $10.5 million associated with the settlement of outstanding issues with the U.S. Consumer Financial Protection Bureau.
In June and July 2014, we issued $230.0 million aggregate principal amount of Cash Convertible Notes. All of the Cash Convertible Notes were issued pursuant to an indenture dated June 23, 2014 (the "Indenture") by and between us and Wells Fargo Bank, National Association as the trustee. The Cash Convertible Notes were issued in a private offering and resold pursuant to Rule 144A under the Securities Act of 1933. The Cash Convertible Notes pay interest semi-annually in arrears at a rate of 2.125% per annum on June 15 and December 15 of each year, commencing on December 15, 2014, and will mature on June 15, 2019 (the "Maturity Date"). Upon conversion or maturity, the Cash Convertible Notes will be settled only in cash (including, in the case of conversion, an amount of cash representing the net value attributable to certain increases in the price of our Class A Non-Voting Common Stock).
Prior to December 15, 2018, the Cash Convertible Notes will be convertible only upon the occurrence of certain events and during certain periods, and thereafter, at any time prior to the close of business on the second scheduled trading day immediately preceding the Maturity Date, as described in the indenture. The Cash Convertible Notes are convertible into cash based on an initial conversion rate of 62.2471 shares of Class A Non-Voting Common Stock per $1,000 principal amount of Cash Convertible Notes (equivalent to an initial conversion price of approximately $16.065 per share of our Class A Non-Voting Common Stock). The conversion rate will not be adjusted for any accrued and unpaid interest.
We entered into hedges in connection with the issuance of the Cash Convertible Notes with counterparties to limit our exposure to the additional cash payments above the $230.0 million aggregate principal amount of the Cash Convertible Notes that may be due to the holders upon conversion. In separate transactions, we sold warrants with a strike price of $20.83 per share.
The Cash Convertible Notes are our unsubordinated unsecured obligations and rank senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the Cash Convertible Notes, equal in right of payment with all of our other unsecured unsubordinated indebtedness, and effectively junior to all debt or other obligations (including trade payables) of our wholly-owned subsidiaries. The Indenture governing the Convertible Notes does not contain any financial covenants.
As of September 30, 2016 the Cash Convertible Notes were not convertible because the conversion conditions have not been met. Accordingly, the net balance of the Cash Convertible Notes of $198.0 million was classified as a non-current liability in our consolidated balance sheets as of September 30, 2016.
For an additional description of the Cash Convertible Notes, the conversion terms thereof and the hedges and warrants transactions, see Note 10 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplementary Data.”
We anticipate that cash flow from operations, cash on hand and available credit facilities will be adequate to fund our contractual obligations, planned store growth, capital expenditures and working capital requirements during fiscal 2017. Our ability to repay our longer-term debt obligations (including the Cash Convertible Notes) will likely require us to refinance those obligations through the issuance of new debt securities or through new credit facilities.

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Contractual Obligations

Below is a summary of our cash needs to meet future aggregate contractual obligations as of September 30, 2016:

		Payments due by Period				Additional Borrowing Capacity (a)
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years	More than 5 years
	(in thousands)					
Long-term debt obligations (b)	$280,000	$—	$230,000	$—	$50,000	$ 50,000
Interest on long-term debt obligations (c)	47,621	10,666	19,915	11,558	5,482	—
Operating and other lease obligations	265,156	52,097	82,145	55,065	75,849	—
Total (d)	$592,777	$62,763	$332,060	$66,623	$131,331	$ 50,000

(a) Amount represents additional borrowing capacity that has not been drawn and the anticipated maturity period if such borrowings had occurred as of September 30, 2016.

(b) Excludes debt discount and deferred financing costs as well as convertible feature related to the Cash Convertible Notes.

(c) Future interest on long-term obligations calculated on interest rates effective at the balance sheet date. Amount includes annual unused commitment fees on the undrawn portion of our senior secured credit facility which was $50 million as of September 30, 2016,

(d) No provision for uncertain tax benefits has been included as the timing of any such payment is uncertain. See Note 13 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplemental Data.”

In addition to the operating lease obligations in the table above, we are responsible for the maintenance, property taxes and insurance at most of our locations. During the fiscal year ended September 30, 2016 these collectively amounted to $21.3 million.

Cautionary Statement Regarding Risks and Uncertainties That May Affect Future Results

This Annual Report on Form 10-K, including Management’s Discussion and Analysis of Financial Condition and Results of Operations, includes “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. We intend that all forward-looking statements be subject to the safe harbors created by these laws. All statements, other than statements of historical facts, regarding our strategy, future operations, financial position, future revenues, projected costs, prospects, plans and objectives are forward-looking statements. The words “may,” "can," “should,” “could,” “will,” "would," “predict,” “anticipate,” “believe,” “e “expect,” “intend,” “plan,” “project” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Such statements are only predictions of the outcome and timing of future events based on our current expectations and currently available information. Actual results could differ materially from those expressed in the forward-looking statements due to a number of risks and uncertainties, many of which are beyond our control. Accordingly, you should not regard any forward-looking statement as a representation that the expected results will be achieved. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this report. Such risks and uncertainties include, among other things:

- Exposure to Grupo Finmart financial performance through promissory notes received in divestiture transaction;
- Changes in laws and regulations;
- The outcome of current or future litigation and regulatory proceedings;
- Our controlled ownership structure;
- Concentration of business in Texas;
- Changes in gold prices or volumes;

- Changes in foreign currency exchange rates;
- Our ability to continue growing our store count through acquisitions and de novo openings;
- Changes in the business, regulatory or political climate in Mexico;

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- Changes in pawn redemption rates, loan default and collection rates or other important operating metrics;
- Changes in liquidity, capital requirements or access to debt and capital markets;
- Changes in the competitive landscape;
- Potential infrastructure failures or data security breaches;
- Failure to achieve adequate return on our investments;
- Potential uninsured property, casualty or other losses;
- Potential disruptive effect of acquisitions, investments and new businesses;
- Changes in U.S. or international tax laws;
- Events beyond our control;
- Financial statement impact of potential impairment of goodwill; and
- Potential exposure under anti-corruption laws.

For a discussion of these important risk factors, see "Part I, Item 1A — Risk Factors."

In addition, we cannot predict all of the risks and uncertainties that could cause our actual results to differ from those expressed in the forward-looking statements. You should not place undue reliance on our forward-looking statements. Although forward-looking statements reflect our good faith beliefs, forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Accordingly, you should not regard any forward-looking statements as a representation that the expected results will be achieved.

We specifically disclaim any responsibility to publicly update any information contained in a forward-looking statement except as required by law. All forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary statement.

ITEM 7A — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Disclosures

We are exposed to market risk related to interest rates, gold values and changes in foreign currency exchange rates.

Our earnings are affected by changes in interest rates as our Term Loan Facility has a variable rate. A 50 basis point change in the interest rate on our Term Loan Facility would cause an approximately $0.3 million change in interest expense. This amount is determined by considering the impact of the hypothetical interest rate change on our Term Loan Facility, had that facility been outstanding during the entire fiscal year ended September 30, 2016.

Our earnings and financial position are affected by changes in gold values, and to a lesser extent silver and stone values, and the resulting impact on pawn lending, jewelry sales and jewelry cost of goods sold. The proceeds of scrap sales and our ability to sell jewelry inventory at an acceptable margin depend on gold values. The impact on our financial position and results of operations of a hypothetical change in gold values cannot be reasonably estimated.

We use insignificant short-duration 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 changes in their fair value are recorded directly in earnings.

Our earnings and financial position are affected by foreign exchange rate fluctuations related to our equity investments and our foreign operations. Cash Converters International’s functional currency is the Australian dollar, Empeño Fácil’s functional currency is the Mexican peso and our Canadian operations’ functional currency is the Canadian dollar. The impact on our results of operations and financial position of hypothetical changes in foreign currency exchange rates cannot be reasonably estimated due to the interrelationship of operating results and exchange rates.

The translation adjustment from Cash Converters International Limited through June 30, 2016 (included in our September 30, 2016 results on a three-month lag) was a $5.6 million decrease to stockholders’ equity, excluding income tax impacts. During the fiscal year ended September 30, 2016, the Australian dollar strengthened to $1.00 Australian to $0.7636 U.S. from $0.6976 U.S. as of September 30, 2015.

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The translation adjustment from Latin America representing the weakening of the Mexican peso during the year ended September 30, 2016 was a $7.5 million decrease to stockholders' equity, exclusive of impacts from Grupo Finmart. We have currently assumed indefinite reinvestment of earnings and capital in Mexico. Accumulated translation gains or losses related to any future repatriation of earnings or capital would impact our earnings in the period of repatriation.
During the fiscal year ended September 30, 2016, the Mexican peso weakened to $1.00 Mexican to $0.05150 U.S. from $0.05854 U.S. as of September 30, 2015. We have calculated the impact of foreign currency effects on our fiscal 2016 Mexico Pawn results of operations and determined that revenues and operating contribution would have been $112.5 million and $11.6 million, respectively, as compared to actual revenues and operating contribution of $94.9 million and $8.5 million, respectively, had foreign currency exchange rates remained consistent in fiscal 2016 with those in effect during fiscal 2015.
The translation adjustment from our Canadian operations representing the strengthening of the Canadian dollar during the year ended September 30, 2016 was a $0.1 million increase to stockholders' equity. During the fiscal year ended September 30, 2016, the Canadian dollar strengthened to $1.00 Canadian to $0.7610 U.S. from $0.7456 U.S. as of September 30, 2015.
We cannot predict the future valuation of foreign currencies or how further movements in exchange rates could affect our future earnings or financial position.

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ITEM 8 — FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
EZCORP, Inc.
Austin, Texas

We have audited the accompanying consolidated balance sheets of EZCORP, Inc. as of September 30, 2016 and 2015, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of EZCORP, Inc. at September 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), EZCORP, Inc.'s internal control over financial reporting as of September 30, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated December 14, 2016, expressed an unqualified opinion thereon.

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for discontinued operations in 2016, due to the adoption of Financial Accounting Standards Board's ("FASB") Accounting Standard Update No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity."

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for debt issuance costs in 2016 and 2015, due to the adoption of FASB ASU No. 2015-03, "Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs."

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for deferred taxes in 2016 and 2015, due to the adoption of FASB ASU No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes."

We also have audited the adjustments to the 2014 consolidated financial statements to retrospectively report the results of Grupo Finmart within discontinued operations, as described in Note 3. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2014 consolidated financial statements of the Company other than with respect to these adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2014 consolidated financial statements taken as a whole.

/s/ BDO USA, LLP
Dallas, Texas

December 14, 2016

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
EZCORP, Inc.
Austin, Texas

We have audited, before the effects of the retrospective adjustments for the adoption of FASB Accounting Standards Update, Presentation of Financial Statements and Property, Plant, and Equipment (ASU 2014-08) discussed in Note 1 to the consolidated financial statements, the consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows of EZCORP, Inc. and subsidiaries (the "Company") for the year ended September 30, 2014 (the 2014 consolidated financial statements before the effects of the retrospective adjustments relating to the adoption of ASU 2014-08 discussed in Note 1 to the consolidated financial statements are not presented herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such 2014 consolidated financial statements, before the effects of the retrospective adjustments for the adoption of ASU 2014-08 discussed in Note 1 to the consolidated financial statements, present fairly, in all material respects, the results of operations and cash flows of EZCORP, Inc. and subsidiaries for the year ended September 30, 2014, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 22 to the consolidated financial statements, the 2014 consolidated financial statements (not presented herein) have been restated to correct errors.

We were not engaged to audit, review, or apply any procedures to the retrospective adjustments for the adoption of ASU 2014-08 discussed in Note 1 to the consolidated financial statements and, accordingly, we do not express an opinion or any other form of assurance about whether such retrospective adjustments are appropriate and have been properly applied. Those retrospective adjustments were audited by other auditors.

/s/ DELOITTE & TOUCHE LLP
Austin, Texas

November 26, 2014 (November 9, 2015 as to the effects of the restatement discussed in Note 22; December 23, 2015 as to Note 3 (relating to the adjustments for discontinued operations arising in 2015) and Note 18 (relating to the change in reportable segments in 2015); December 14, 2016 as to the effects of the restatement discussed in Note 2)

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EZCORP, Inc.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	September 30, 2016	September 30, 2015
		As Corrected
Assets:		
Current assets:		
Cash and cash equivalents	$65,737	$56,244
Pawn loans	167,329	159,964
Pawn service charges receivable, net	31,062	30,852
Inventory, net	140,224	124,084
Notes receivable, net	41,946	—
Income taxes receivable	2,533	42,231
Current assets held for sale	—	72,849
Prepaid expenses and other current assets	33,312	25,077
Total current assets	482,143	511,301
Investment in unconsolidated affiliate	37,128	56,182
Property and equipment, net	58,455	73,938
Goodwill	253,976	251,646
Intangible assets, net	30,681	30,778
Non-current notes receivable, net	41,119	—
Deferred tax asset, net	35,303	34,176
Non-current assets held for sale	—	217,233
Other assets, net	44,439	13,736
Total assets	$983,244	$1,188,990
Liabilities, temporary equity and equity:		
Current liabilities:		
Accounts payable, accrued expenses and other current liabilities	$84,285	$109,875
Current liabilities held for sale	—	87,329
Customer layaway deposits	10,693	10,470
Total current liabilities	94,978	207,674
Long-term debt, net	283,611	197,976
Non-current liabilities held for sale	—	101,644
Deferred gains and other long-term liabilities	10,450	9,929
Total liabilities	389,039	517,223
Commitments and contingencies (Note 17)		
Temporary equity:		
Class A Non-Voting Common Stock, subject to possible redemption at $10.06 per share; none as of September 30, 2016 and 1,168,456 shares issued and outstanding at redemption value as of September 30, 2015	—	11,696
Redeemable noncontrolling interest	—	4,040
Total temporary equity	—	15,736
Stockholders' equity:		
Class A Non-Voting Common Stock, par value $.01 per share; shares authorized: 100 million as of September 30, 2016 and 2015; issued and outstanding: 51,129,144 as of September 30,	511	507

2016 and 50,726,289 as of September 30, 2015		
Class B Voting Common Stock, convertible, par value $.01 per share; 3 million shares authorized; issued and outstanding: 2,970,171	30	30
Additional paid-in capital	318,723	310,038
Retained earnings	319,808	400,552
Accumulated other comprehensive loss	(44,089)	(55,096)
EZCORP, Inc. stockholders' equity	594,983	656,031
Noncontrolling interest	(778)	—
Total equity	594,205	656,031
Total liabilities, temporary equity and equity	$983,244	$1,188,990

See accompanying notes to consolidated financial statements.

EZCORP, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year Ended September 30,		
	2016	2015	2014
		As Corrected	
	(in thousands, except per share amounts)		
Revenues:			
Merchandise sales	$409,107	$402,118	$388,022
Jewelry scrapping sales	50,113	57,973	96,241
Pawn service charges	261,800	247,204	248,378
Other revenues	9,485	12,705	13,129
Total revenues	730,505	720,000	745,770
Merchandise cost of goods sold	258,271	267,789	248,637
Jewelry scrapping cost of goods sold	42,039	46,066	72,830
Other cost of revenues	1,965	3,125	2,446
Net revenues	428,230	403,020	421,857
Operating expenses (income):			
Operations	301,387	294,939	293,737
Administrative	68,101	72,986	79,944
Depreciation and amortization	26,542	30,959	29,259
Loss (gain) on sale or disposal of assets	1,106	2,659	(5,841)
Restructuring	1,921	17,080	6,664
Total operating expenses	399,057	418,623	403,763
Operating income (loss)	29,173	(15,603)	18,094
Interest expense	16,477	16,385	7,911
Interest income	(81)	(278)	(299)
Loss (income) from investments in unconsolidated affiliates	255	5,473	(5,948)
Impairment of investments	10,957	26,837	7,940
Other expense	1,202	2,187	601
Income (loss) from continuing operations before income taxes	363	(66,207)	7,889
Income tax expense (benefit)	9,361	(14,025)	4,451
(Loss) income from continuing operations, net of tax	(8,998)	(52,182)	3,438
Loss from discontinued operations, net of tax	(79,432)	(42,045)	(77,474)
Net loss	(88,430)	(94,227)	(74,036)
Net loss attributable to noncontrolling interest	(7,686)	(5,035)	(6,319)
Net loss attributable to EZCORP, Inc.	$(80,744)	$(89,192)	$(67,717)
Basic (loss) income per share attributable to EZCORP, Inc. — continuing operations	$(0.15)	$(0.94)	$0.08
Diluted (loss) income per share attributable to EZCORP, Inc. — continuing operations	$(0.15)	$(0.94)	$0.08
Weighted-average basic shares outstanding	54,427	54,369	54,148
Net (loss) income from continuing operations attributable to EZCORP, Inc.	$(7,973)	$(51,298)	$4,476
Loss from discontinued operations attributable to EZCORP, Inc.	(72,771)	(37,894)	(72,193)
Net loss attributable to EZCORP, Inc.	$(80,744)	$(89,192)	$(67,717)

See accompanying notes to consolidated financial statements.

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EZCORP, Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Fiscal Year Ended September 30,		
	2016	2015	2014
		As Corrected	
	(in thousands)		
Net loss	$(88,430)	$(94,227)	$(74,036)
Other comprehensive loss:			
Foreign currency translation loss, net of income tax benefit (expense) for our investment in unconsolidated affiliate of $1,975, $4,408 and ($1,157) for the years ended September 30, 2016, 2015 and 2014, respectively	(14,580)	(50,667)	(4,147)
Foreign currency translation reclassification adjustment realized upon impairment	—	—	375
Loss on effective portion of cash flow hedge:			
Other comprehensive loss before reclassifications	—	—	(453)
Amounts reclassified from accumulated other comprehensive loss	22	457	49
Amounts reclassified from accumulated other comprehensive loss	—	—	540
Reclassification adjustment for gain on available-for-sale securities	—	—	(540)
Other comprehensive loss, net of tax	(14,558)	(50,210)	(4,176)
Comprehensive loss	$(102,988)	$(144,437)	$(78,212)
Attributable to noncontrolling interest:			
Net loss	(7,686)	(5,035)	(6,319)
Foreign currency translation loss	(393)	(5,341)	(301)
Amounts reclassified from accumulated other comprehensive loss	1	29	(154)
Comprehensive loss attributable to noncontrolling interest	(8,078)	(10,347)	(6,774)
Comprehensive loss attributable to EZCORP, Inc.	$(94,910)	$(134,090)	$(71,438)

See accompanying notes to consolidated financial statements.

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EZCORP, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended September 30,		
	2016	2015	2014
		As Corrected	
	(in thousands)		
Operating activities:			
Net loss	$(88,430)	$(94,227)	$(74,036)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	28,651	37,034	38,627
Amortization of debt discount	9,474	8,888	2,611
Amortization of deferred financing costs	2,901	4,150	5,137
Amortization of prepaid commissions	13,083	13,702	14,525
Consumer loan loss provision	27,917	51,966	45,014
Deferred income taxes	2,674	(2,124)	(24,377)
Impairment of goodwill	73,244	12,253	84,158
Reversal of contingent consideration	—	—	(4,792)
Impairment of long-lived assets	—	18,529	10,308
Other adjustments	7,289	13,925	(2,251)
Gain on disposition of Grupo Finmart, net of loss on extinguishment	(32,172)	—	—
Loss (gain) on sale or disposal of assets	1,106	2,893	(5,371)
Stock compensation	5,346	2,374	6,845
Loss (income) from investments in unconsolidated affiliates	255	5,473	(5,948)
Impairment of investments	10,957	26,837	7,940
Changes in operating assets and liabilities, net of business acquisitions:			
Service charges and fees receivable	7,677	(9,987)	(2,212)
Inventory	(3,735)	433	346
Prepaid expenses, other current assets and other assets	(15,397)	(11,980)	(28,807)
Accounts payable and other, deferred gains and other long-term liabilities	(17,819)	20,940	15,073
Customer layaway deposits	329	1,997	(499)
Tax provision from stock compensation	—	—	609
Income taxes receivable	37,334	(23,144)	(13,328)
Payments of restructuring charges	(8,478)	(5,376)	—
Dividends from unconsolidated affiliate	2,197	4,842	5,129
Net cash provided by operating activities	64,403	79,398	74,701
Investing activities:			
Loans made	(676,375)	(842,074)	(959,540)
Loans repaid	428,196	574,353	658,986
Recovery of pawn loan principal through sale of forfeited collateral	235,168	243,692	246,053
Additions to property and equipment	(9,550)	(24,286)	(22,964)
Acquisitions, net of cash acquired	(6,000)	(7,802)	(13,226)
Investments in unconsolidated affiliate	—	(12,140)	—
Proceeds from disposition of Grupo Finmart, net of cash disposed	35,277	—	—
Proceeds from sale of assets	—	564	10,631
Net cash provided by (used in) investing activities	6,716	(67,693)	(80,060)
Financing activities:			
Taxes paid related to net share settlement of equity awards	(172)	(210)	(1,982)

Tax benefit from stock compensation	—	—	(609)
Debt issuance costs	(740)	(556)	(14,017)
Payout of deferred consideration	(15,000)	(6,000)	(23,000)
Proceeds from issuance of convertible notes	—	—	230,000
Purchase of convertible notes hedges	—	—	(46,454)
Proceeds from issuance of warrants	—	—	25,106
Purchase of subsidiary shares from noncontrolling interest	—	(32,411)	(29,775)
Proceeds from settlement of forward currency contracts	3,557	2,313	—
Change in restricted cash	8,199	40,949	(57,891)
Proceeds from borrowings and line of credit	64,873	70,686	535,913
Payments on borrowings, line of credit and capital lease obligations	(112,123)	(72,369)	(572,873)
Repurchase of common stock	(11,750)	—	(11,903)
Net cash (used in) provided by financing activities	(63,156)	2,402	32,515
Effect of exchange rate changes on cash and cash equivalents	(1,350)	(10,308)	(931)
Net increase in cash and cash equivalents	6,613	3,799	26,225
Cash and cash equivalents at beginning of period	59,124	55,325	29,100

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EZCORP, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Cash and cash equivalents at end of period	$65,737	$59,124	$55,325
Cash paid (refunded) during the period for:			
Interest	$18,722	$16,472	$16,361
Income taxes, net	2,962	(8,042)	30,194
Non-cash investing and financing activities:			
Pawn loans forfeited and transferred to inventory	$249,316	$230,998	$241,696
Issuance of common stock due to acquisitions	—	11,696	—
Deferred consideration	—	9,500	2,674
Change in accrued additions to property and equipment	3,179	(1,337)	(420)
Issuance of common stock to 401(k) plan	—	—	557
Equity adjustment due to noncontrolling interest purchase	—	23,251	6,609
Deferred finance costs payable	740	—	1,092

See accompanying notes to consolidated financial statements.

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EZCORP, Inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		EZCORP, Inc. Stockholders' Equity
	Shares	Par Value				Shares	Par Value	
			As Corrected	As Corrected	As Corrected			As Corrected
	(in thousands)							
Balances as of October 1, 2013	54,240	$543	$320,537	$564,424	$ (6,477)	—	$ —	$ 879,027
Issuance of common stock related to 401(k) match	45	—	557	—	—	—	—	557
Stock compensation	—	—	6,845	—	—	—	—	6,845
Purchase of subsidiary shares from noncontrolling interest	—	—	(13,260)	—	(15)	—	—	(13,275)
Release of restricted stock	300	3	—	—	—	—	—	3
Excess tax deficiency from stock compensation	—	—	(609)	—	—	—	—	(609)
Taxes paid related to net share settlement of equity awards	—	—	(1,982)	—	—	—	—	(1,982)
Amounts reclassified from accumulated other comprehensive loss	—	—	—	—	(250)	—	—	(250)
Net proceeds from sale of warrants	—	—	25,106	—	—	—	—	25,106
Foreign currency translation adjustment	—	—	—	—	(3,831)	—	—	(3,831)
Foreign currency translation reclassification adjustment realized upon impairment	—	—	—	—	375	—	—	375
Purchase of treasury stock	—	—	—	—	—	(1,000)	—	—
Retirement of treasury stock	(1,000)	(10)	(4,930)	(6,963)	—	1,000	—	(11,903)
Net loss attributable to EZCORP, Inc.	—	—	—	(67,717)	—	—	—	(67,717)
Balances as of September 30, 2014	53,585	$536	$332,264	$489,744	$ (10,198)	—	$ —	$ 812,346
Stock compensation	—	—	(1,558)	—	—	—	—	(1,558)
Release of restricted stock	111	1	—	—	—	—	—	1
Purchase of subsidiary shares from noncontrolling interest	—	—	(20,222)	—	(71)	—	—	(20,293)
Excess tax deficiency from stock compensation	—	—	(236)	—	—	—	—	(236)
Taxes paid related to net share settlement of equity awards	—	—	(210)	—	—	—	—	(210)
Amounts reclassified from accumulated other comprehensive loss	—	—	—	—	428	—	—	428
Foreign currency translation adjustment	—	—	—	—	(45,255)	—	—	(45,255)
	—	—	—	(89,192)	—	—	—	(89,192)

Net loss attributable to EZCORP, Inc.								
Balances as of September 30, 2015	53,696	$537	$310,038	$400,552	$ (55,096)	—	$ —	$ 656,031
Stock compensation	—	—	9,152	—	—	—	—	9,152
Release of restricted stock	403	4	—	—	—	—	—	4
Excess tax deficiency from stock compensation	—	—	(295)	—	—	—	—	(295)
Taxes paid related to net share settlement of equity awards	—	—	(172)	—	—	—	—	(172)
Amounts reclassified from accumulated other comprehensive loss	—	—	—	—	21	—	—	21
Foreign currency translation adjustment	—	—	—	—	(14,187)	—	—	(14,187)
Foreign currency translation reclassification upon disposition of Grupo Finmart	—	—	—	—	25,173	—	—	25,173
Net loss attributable to EZCORP, Inc.	—	—	—	(80,744)	—	—	—	(80,744)
Balances as of September 30, 2016	54,099	$541	$318,723	$319,808	$ (44,089)	—	$ —	$ 594,983

See accompanying notes to consolidated financial statements.

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EZCORP, Inc.
Notes to Consolidated Financial Statements
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Description of Business

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

As further discussed in Note 3, we have classified all of the assets and liabilities of our previously-owned 94% subsidiary, Prestaciones Finmart, S.A.P.I. de C.V., SOFOM, E.N.R. ("Grupo Finmart"), which we sold in September 2016, as held for sale in all previous periods and recast all results of operations of Grupo Finmart as discontinued operations for the years ended September 30, 2016, 2015 and 2014.

As of September 30, 2016, we operated a total of 786 locations, consisting of:

- 520 United States pawn stores (operating primarily as EZPAWN or Value Pawn & Jewelry);
- 239 Mexico pawn stores (operating primarily as Empeño Fácil); and
- 27 financial services stores in Canada (operating as CASHMAX)

We also own approximately 31% of Cash Converters International Limited (“Cash Converters International”), based in Australia and publicly-traded on the Australian Stock Exchange, which franchises and operates a worldwide network of over 700 locations that provide pawn loans, short-term unsecured loans and other consumer finance products, and buy and sell second-hand goods.

Principles of Consolidation

The consolidated financial statements include the accounts of EZCORP, Inc. and its consolidated subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation.

To determine if we hold a controlling financial interest in an entity, we first evaluate if we are required to apply the variable interest entity (“VIE”) model to the entity; otherwise, the entity is evaluated under the voting interest model. Where we hold current or potential rights that give us the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance, combined with a variable interest that gives us the right to receive potentially significant benefits or the obligation to absorb potentially significant losses, we have a controlling financial interest in that VIE. Rights held by others to remove the party with power over the VIE are not considered unless one party can exercise those rights unilaterally.

In evaluating whether we have the power to direct the activities of a VIE that most significantly impact its economic performance, we consider the purpose for which the VIE was created, the importance of each of the activities in which it is engaged and our decision-making role, if any, in those activities that significantly determine the entity’s economic performance as compared to other economic interest holders. This evaluation requires consideration of all facts and circumstances relevant to decision-making that affects the entity’s future performance and the exercise of professional judgment in deciding which decision-making rights are most important.

In determining whether we have the right to receive benefits or the obligation to absorb losses that could potentially be significant to a VIE, we evaluate all of our economic interests in the entity, regardless of form (debt, equity, management and servicing fees and other contractual arrangements). This evaluation considers all relevant factors of the entity’s design, including the entity’s capital structure, contractual rights to earnings or losses, subordination of our interests relative to those of other investors, as well as any other contractual arrangements that might exist that could have the potential to be economically significant. The evaluation of each of these factors in reaching a conclusion about the potential significance of our economic interests is a matter that requires the exercise of professional judgment.

Pawn Loan and Sales Revenue Recognition

We record pawn service charges using the interest method for all pawn loans we believe to be collectible. We base our estimate of collectible loans on several inputs, including recent redemption rates, historical trends in redemption rates and the amount of loans due in the following months. Unexpected variations in any of these factors could change our estimate of collectible loans,

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affecting our earnings and financial condition. If a pawn loan is not repaid, we value the forfeited collateral (inventory) at the lower of cost (pawn loan principal) or market value of the item.
The United States pawn loan term generally ranges between 30 and 90 days. The maximum Mexico pawn loan term is 30 days.
We record sales revenue and the related cost when merchandise inventory is sold, or when we receive the final payment on a layaway sale. We record sales revenue and the related cost when scrap inventory is sold and the proceeds to be received are fixed and determinable and ownership is transferred. Sales tax collected on the sale of inventory is excluded from the amount recognized as sales and instead recorded as a liability in “Accounts payable, accrued expenses and other current liabilities” in our consolidated balance sheets until remitted to the appropriate governmental authorities.
Customers may purchase a product protection plan that allows them to return or exchange certain general merchandise (non-jewelry) sold through our retail pawn operations within three to six months of purchase. We recognize the fees for this service as revenue ratably over the three to six month period of the plan. We also offer a jewelry VIP package, which guarantees customers a minimum future pawn loan amount on the item sold, allows them full credit if they trade in the item to purchase a more expensive piece of jewelry, and provides minor repair service on the item sold. These fees are recognized upon sale. Customers may also purchase an item on layaway by paying a minimum layaway deposit of typically 10% to 20% of the item’s sale price. We hold the item for a 60 to 180-day period, during which the customer is required to pay the balance of the sales price. The initial deposit and subsequent payments are recorded as customer layaway deposits. Layaways are recorded as sales when paid in full. We record product protection, jewelry VIP and layaway fees as merchandise sales revenue, as they are incidental to sales of merchandise.
Inventory and Cost of Goods Sold
If a pawn loan is not redeemed, we record the forfeited collateral at cost (the principal amount of the pawn loan) in "Inventory, net" in our consolidated balance sheets. We do not record loan loss allowances or charge-offs on the principal portion of pawn loans, as they are fully collateralized. We record our inventory using the specific identification method of accounting.
In order to state inventory at the lower of cost or market value, we record an allowance for excess, obsolete or slow moving inventory based on the type and age of merchandise. Our inventory consists primarily of general merchandise and jewelry. Our "Merchandise cost of goods sold" includes the historical cost of inventory sold, inventory shrinkage and any change in the allowance for inventory shrinkage and valuation. We include the cost of operating our central jewelry processing unit under “Jewelry scrapping cost of goods sold,” as it relates directly to sales of precious metals to refiners.
We consider our estimates of obsolete or slow moving inventory and shrinkage critical estimates in determining the appropriate overall valuation allowance for inventory. We monitor our sales margins for each type of inventory on an ongoing basis and compare to historical margins. Significant variances in those margins may require a revision to future inventory reserve estimates. We have historically revised our reserve estimates pertaining to jewelry inventory depending on the current price of gold. Future declines in the value of gold prices may cause an increase in reserve rates pertaining to jewelry inventory.
With respect to our Mexico pawn operations, we do not own the forfeited collateral; however, we assume the risk of loss on such collateral and are solely responsible for its care and disposition and as such, record such collateral under “Inventory, net” in our consolidated balance sheet. The amount of inventory from our Mexico pawn operations classified as “Inventory, net” in our consolidated balance sheets was $19.0 million and $16.5 million as of September 30, 2016 and 2015, respectively.
Cash and Cash Equivalents and Cash Concentrations
Cash and cash equivalents consist primarily of cash on deposit or highly liquid investments with original contractual maturities of three months or less, or money market mutual funds. We hold cash at major financial institutions that often exceed FDIC insured limits. We manage our credit risk associated with cash and cash equivalents and cash concentrations by concentrating our cash deposits in high quality financial institutions and by periodically evaluating the credit quality of the primary financial institutions issuing investments or holding such deposits. Historically, we have not experienced any losses due to such cash concentrations. Restricted cash amounts included in “Prepaid

expenses and other current assets" of $3.0 million and $0.1 million as of September 30, 2016 and 2015, respectively, primarily pertain to insurance letters of credit and collateralization of company credit cards. In addition, $4.1 million in restricted cash is held under an escrow arrangement in connection with the closing of the Grupo Finmart sale transaction (as further described in Note 3) and is included in "Other assets, net" as of September 30, 2016.
Notes Receivable
We review the payment history, creditworthiness, projected cash flows and related assumptions of Grupo Finmart and AlphaCredit as applicable in determining whether our notes receivable are collectible. We amortize the discount on our notes

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receivable into “Interest income” under the effective interest method over the life of the notes receivable and accrue interest under the terms of the repayment schedules. These items are included in our “Corporate items” within our segment disclosure. As of September 30, 2016, we have included no impairment due to non-collectability on our notes receivable. See Note 7 for additional details.

Equity Method Investments

We account for our investment in Cash Converters International using the equity method. Since Cash Converters International’s fiscal year ends three months prior to ours, we report the income from this investment on a three-month lag. Thus, income reported for our fiscal years ended September 30, 2016, 2015 and 2014 represents our percentage interest in the results of Cash Converters International’s operations from July 1, 2015 to June 30, 2016, July 1, 2014 to June 30, 2015 and July 1, 2013 to June 30, 2014, respectively. Because Cash Converters International publicly files semi-annual financial reports with the Australian Securities & Investments Commission as of and for the periods ended June 30 and December 31, we make estimates for our equity in Cash Converters International’s net income (loss) for Cash Converters International three-month periods ended March 31 (our reporting period ended June 30) and September 30 (our reporting period ended December 31). Those estimates may vary from actual results. We adjust our estimates as necessary in our reporting periods ended March 31 and September 30 to conform to Cash Converters International actual results as shown in their published semi-annual reports. We record all other-than-temporary impairments as of the date of our reporting period.

Cash Converters International records its results of operations under International Financial Reporting Standards (“IFRS”). There have historically been no material differences between Cash Converters International results of operations based upon IFRS versus results of operations as converted to accounting principles generally accepted in the United States of America (“GAAP”). We will continue to monitor for any potential IFRS to GAAP differences.

We have accounted for the negative basis in our investment in Cash Converters International of $19.6 million generated as a result of impairments and other items, using exchange rates in effect as of September 30, 2016, as a reduction in our portion of Cash Converters International goodwill. We will increase our equity in Cash Converters International’s net income in future reporting periods for our portion of any impairments of goodwill recorded by Cash Converters International until such negative basis is restored.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets having indefinite lives are not subject to amortization. We test goodwill and intangible assets with indefinite useful lives for potential impairment annually as of September 30, or more frequently 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 goodwill impairment test consists of two steps: in step one, the carrying value of the reporting unit is compared with its fair value; in step two, which is applied when the carrying value is more than its fair value, the amount of goodwill impairment, if any, is derived by deducting the fair value of the reporting unit’s assets and liabilities from the fair value of its equity, and comparing that amount with the carrying amount of goodwill.

We perform our impairment analyses utilizing the income approach. This approach uses future cash flows and estimated terminal values for each of our reporting units (discounted using a market participant perspective) to determine the fair value of each reporting unit, which is then compared to the carrying value of the reporting unit to determine if there is an impairment. We have determined that our reporting units are equivalent to our operating segments for fiscal 2016. The income approach includes assumptions about revenue growth rates, operating margins and terminal growth rates discounted by an estimated weighted-average cost of capital derived from other publicly-traded companies that are similar but not identical from an operational and economic standpoint. We use discount rates that are commensurate with the risks and uncertainty inherent in the respective businesses and in our internally developed forecasts. Discount rates used in our fiscal 2016 goodwill and other intangible asset valuations ranged from 10% to 14%. In testing other intangible assets for potential impairment, we apply key assumptions that are consistent with those utilized in our goodwill impairment test. Changes in the economic conditions or regulatory environment could negatively affect our key assumptions.

In addition to the assumptions discussed above pertaining to the income approach, we consider the assessment of potential triggering events to be a critical estimate.

Property and Equipment

We record property and equipment at cost. We depreciate these assets on a straight-line basis using estimated useful lives of 30 years for buildings and two to seven years for furniture, equipment and software development costs. We depreciate leasehold improvements over the shorter of their estimated useful life (typically 10 years) or the reasonably assured lease term at the inception of the lease.

Valuation of Tangible Long-Lived Assets
We assess the impairment of tangible long-lived assets whenever events or changes in circumstances indicate that the net recorded amount may not be recoverable. The following factors could trigger an impairment review: significant underperformance relative to historical or projected future cash flows, significant changes in the manner of use of the assets or the strategy for the overall business, or significant negative industry trends or legislative changes prohibiting us from offering our loan products. An impairment loss is recognized if the future undiscounted cash flows associated with the asset and the estimated fair value of the asset are less than the asset's carrying value.
In addition to the assumptions associated with the determination of projected future cash flows, we consider the assessment of potential triggering events to be a critical estimate.
Software Development Costs
We capitalize certain costs incurred in connection with developing or obtaining software for internal use and amortize the costs on a straight-line basis over the estimated useful lives of each system, typically five years.
Customer Layaways
Customer layaway deposits are recorded as deferred revenue until we collect the entire related sales price and deliver the related merchandise to the customer. Nonrefundable customer layaway fees are charged upfront and recognized when collected.
Insurance Recoveries
We incur legal costs with respect to a variety of issues on an ongoing basis. To the extent that such costs are reimbursable under applicable insurance policies, we believe it is probable such costs will be reimbursed and such reimbursements can be reasonably estimated, we record a receivable from the insurance enterprise and a recovery of the costs in our statements of operations. All loss contingencies are recorded gross of the insured recoveries as applicable.
Fair Value of Financial Instruments
We have elected not to measure at fair value any eligible items for which fair value measurement is optional. We determine the fair value of financial instruments by reference to various market data and other valuation techniques, as appropriate.
Acquisitions
We allocate the total acquisition price to the fair value of assets and liabilities acquired and immediately expense transaction costs. We early adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification (“ASC”) Accounting Standards Updates ("ASU") 2015-16, Business Combinations (Topic 805) during the three-months ended March 31, 2016 to reduce the cost and complexity of accounting for and reporting business combinations. This ASU requires recognition of adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, with the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. There was no material impact of adopting FASB ASU 2015-16 on our consolidated financial position, results of operations or cash flows.
Foreign Currency Translation
Our equity investment in Cash Converters International is translated from Australian dollars into United States dollars at the exchange rates as of Cash Converters International’s balance sheet date each reporting period. The related interest in Cash Converters International’s net income is translated at the average exchange rate for each six-month period reported by Cash Converters International.
The functional currency of Mexico Pawn and Grupo Finmart is the Mexican peso. The functional currency of our wholly owned foreign subsidiary in Canada is the Canadian dollar. Our foreign subsidiaries' balance sheet accounts are translated from their respective functional currencies into United States dollars at the exchange rate at the end of each quarter, and their earnings are translated into United States dollars at the average exchange rate each quarter. We present resulting translation adjustments as a separate component of stockholders’ equity.
Foreign currency transaction gains and losses not accounted for as translations as discussed above are included under “Other expense” in our consolidated statements of operations. These costs included in continuing operations were $1.1 million, $2.2 million and $1.0 million for fiscal 2016, 2015 and 2014, respectively.

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Operations Expense
Included in operations expense are costs related to operating our stores and any direct costs of support offices. These costs include labor, other direct expenses such as utilities, supplies and banking fees and indirect expenses such as store rent, building repairs and maintenance, advertising, store property taxes and insurance and regional and area management expenses.
Administrative Expense
Included in administrative expense are costs related to our executive and administrative offices. This includes executive and administrative salaries, wages, stock and incentive compensation, professional fees, license fees, costs related to the operation of our administrative offices such as rent, property taxes, insurance, information technology and other corporate costs.
Advertising
Advertising costs are expensed as incurred and included under "Administrative" expense in our consolidated statements of operations. These costs included in continuing operations were $2.1 million, $3.1 million and $5.0 million for fiscal 2016, 2015 and 2014, respectively.
Restructuring Charges
We record a liability for costs associated with an exit or disposal activity at fair value in the period in which the liability is incurred, except for liabilities for certain employee termination benefit charges that are accrued over time. Employee termination benefits associated with an exit or disposal activity are accrued when the obligation is probable and estimable as a post-employment benefit obligation, when local statutory requirements stipulate minimum involuntary termination benefits or, in the absence of local statutory requirements, termination benefits to be provided are similar to benefits provided in prior restructuring activities. Specifically for termination benefits under a one-time benefit arrangement, the timing of recognition and related measurement of a liability depends on whether employees are required to render service until they are terminated in order to receive the termination benefits and, if so, whether employees will be retained to render service beyond a minimum retention period. For employees who are not required to render service until they are terminated in order to receive the termination benefits or employees who will not provide service beyond the minimum retention period, we record a liability for the termination benefits at the communication date. If employees are required to render service until they are terminated in order to receive the termination benefits and will be retained to render service beyond the minimum retention period, we measure the liability for termination benefits at the communication date and recognize the expense and liability ratably over the future service period.
For contract termination costs, we record a liability for costs to terminate a contract before the end of its term when we terminate the agreement in accordance with the contract terms or when we cease using the rights conveyed by the contract. Liabilities related to termination of an operating lease or contract are measured and recognized at fair value when the contract does not have any future economic benefit and the fair value of the liability is determined based on the present value of the remaining lease obligations, adjusted for the effects of deferred items recognized under the lease, and reduced by estimated sublease rentals that could be reasonably obtained for the property. The assumptions in determining such estimates include anticipated timing of sublease rentals and estimates of sublease rental receipts and related costs based on market conditions. These estimates may vary from actual receipts, causing a change in the balance of accrued lease termination charges in future reporting periods. We record a liability for other costs associated with an exit or disposal activity in the period in which the liability is incurred.
Stock Compensation
We measure stock-based compensation expense at the grant date based on the fair value of the award and recognize it as expense, net of estimated forfeitures, ratably over the vesting or service period, as applicable, of the stock award. When we grant options and performance-based awards or market-conditioned awards, our policy is to estimate the grant-date fair value of the awards using the Black-Scholes-Merton model or Monte Carlo model, respectively, and amortize that fair value to compensation expense on a ratable basis over the awards' vesting period. We recognize expense on awards that only have service requirements on a straight-line basis. We early adopted FASB ASU 2014-12, Compensation — Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period during the

three-months ended March 31, 2016 and applied the amendments prospectively to all awards granted or modified after the effective date. This ASU requires recognition of compensation costs for share-based awards with performance targets in the period in which it becomes probable that the performance targets will be achieved and should represent the compensation cost attributable to the periods for which the requisite service has already been rendered. There was no material impact of adopting FASB ASU 2014-12 on our consolidated financial position, results of operations or cash flows.

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Income Taxes

We account for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying value of assets and liabilities and their tax basis and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the related temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized when the rate change is enacted.

We consider the earnings of certain non-U.S. subsidiaries to be indefinitely invested outside the United States on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and our specific plans for reinvestment of those subsidiary earnings. We have not recorded a deferred tax liability related to the U.S. federal and state income taxes and foreign withholding taxes of our undistributed earnings of foreign subsidiaries indefinitely invested outside the U.S.

We may be subject to income tax audits by the respective tax authorities in any or all of the jurisdictions in which we operate or have operated within a relevant period. Significant judgment is required in determining uncertain tax positions. We utilize the required two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. We adjust these reserves in light of changing facts and circumstances, such as the closing of an audit or the refinement of an estimate. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We believe adequate provisions for income taxes have been made for all periods.

We recognize interest and penalties related to unrecognized tax benefits as “Income tax expense” in our consolidated statements of operations, which were $0.2 million, $0.1 million and nil during fiscal 2016, 2015 and 2014, respectively.

We early adopted FASB ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes during the three-months ended December 31, 2015 on a retrospective basis. This ASU requires classification of deferred income taxes as non-current on the consolidated balance sheets. Deferred income taxes were previously required to be classified as current or non-current on the consolidated balance sheets. The impact of adopting FASB ASU 2015-17 on our current period consolidated financial statements was the classification of all deferred tax assets as non-current within the consolidated balance sheets to conform to the current period presentation. Other than these reclassifications, the adoption of FASB ASU 2015-17 did not have an impact on our consolidated financial position, results of operations or cash flows.

We consider our assessment of the recognition of deferred tax assets as well as estimates of uncertain tax positions to be critical estimates.

Earnings per Share and Common Stock

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, restricted stock awards and warrants. Potential common shares are required to be excluded from the computation of diluted earnings per share if the assumed proceeds upon exercise or vest 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. There were no participating securities outstanding during the years ended September 30, 2016, 2015 and 2014 requiring the application of the two-class method.

Our capital stock consists of two classes of common stock designated as Class A Non-Voting Common Stock (“Class A Common Stock”) and Class B Voting Common Stock (“Class B Common Stock”). The rights, preferences and privileges of the Class A and Class B Common Stock are similar except that each share of Class B Common Stock has one vote and each share of Class A Common Stock has no voting privileges, except as required by law. All Class A Common Stock is publicly held. Holders of Class B Common Stock may, individually or as a class, convert some or all of their shares into Class A Common Stock on a one-to-one basis. Class A Common Stock becomes voting common stock upon the conversion of all Class B Common Stock to Class A Common Stock. We are required to reserve the number of authorized but unissued shares of Class A Common Stock that would be issuable upon conversion of all outstanding shares of Class B Common Stock.

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Use of Estimates and Assumptions
The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition, inventory, collectability of notes receivable, loan loss allowances, long-lived and intangible assets, income taxes, contingencies and litigation. We base our estimates on historical experience, observable trends and various other assumptions that we believe are reasonable under the circumstances. We use this information to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from the estimates under different assumptions or conditions.
Presentation of Debt Issuance Costs
In April 2015, the FASB issued ASU 2015-03, Interest — Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. This ASU requires reporting entities to record costs paid to third parties that are directly related to issuing debt, and that otherwise would not be incurred, as a deduction to the corresponding debt for presentation purposes. The provisions of the ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. A reporting entity should apply the amendment retrospectively. We early adopted FASB ASU 2015-03 during the three-months ended December 31, 2015 on a retrospective basis. The impact of adopting FASB ASU 2015-03 on our current period consolidated financial statements was the classification of all deferred financing costs as a deduction to the corresponding debt in addition to the reclassification of deferred financing costs in "Intangible assets, net" to "Long-term debt less current maturities, net" as of September 30, 2015 of $9.2 million, inclusive of Grupo Finmart amounts presented in Note 3, within the consolidated balance sheets to conform to the current period presentation.
Reporting Discontinued Operations
In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) — Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This ASU provides guidance for the reporting of discontinued operations if (1) a component or group of components of an entity meets the criteria in FASB ASC Paragraph 205-20-45-1E to be classified as held for sale; (2) the component of an entity or group of components of an entity is disposed of by sale; or (3) the component of an entity or group of components of an entity is disposed of other than by sale (for example, by abandonment or in a distribution to owners in a spinoff). Among other disclosures, FASB ASU 2014-08 requires presentation of, for each comparative period, the assets and liabilities of a disposal group that includes a discontinued operation separately in the asset and liability sections, respectively, of the statement of financial position. FASB ASU 2014-08 is effective prospectively for (1) all disposals of components that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years; and (2) all businesses or nonprofit activities that, on acquisition, are classified as held for sale that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. There was no impact of adopting FASB ASU 2014-08 on our consolidated financial position, results of operations or cash flows. However subsequent to adoption we have classified our Grupo Finmart segment as held for sale.
We have presented our Grupo Finmart segment classified as a discontinued operation as held for sale under FASB ASU 2014-08, including separate presentation of assets and liabilities held for sale in our consolidated balance sheets, with historical amounts recast to conform to current period presentation. We have presented our operations discontinued prior to adoption of FASB ASU 2014-08 during the three-months ended December 31, 2015 including our U.S. Financial Services business ("USFS") and our online lending businesses in the United States ("EZOnline") and the United Kingdom ("Cash Genie") under the accounting guidance in effect before the adoption of FASB ASU 2014-08.
Accounting Policies Associated with Discontinued Operations
Grupo Finmart entered into agreements with employers that permit it to market consumer loans to employees with such payments withheld by the employers through payroll deductions and remitted to Grupo Finmart. Prior to its discontinuance in fiscal 2014, USFS provided a variety of short-term consumer loans, including single-payment and multiple-payment unsecured loans and single-payment and multiple-payment auto title loans, with fee-based credit

services to customers seeking loans provided in Texas. Consumer loans and interest and fees receivable were carried in the consolidated balance sheets net of an allowance, which was based on recent loan default experience adjusted for seasonal variations and collection percentages.

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Loans to Grupo Finmart customers whose employment was continuing were referred to as “in-payroll” loans, while loans to Grupo Finmart customers whose employment was discontinued were referred to as “out-of-payroll” loans. A customer was generally considered to have discontinued their employment if they are no longer employed by the employer that is responsible for the payroll withholding. We established reserves for Grupo Finmart loans as follows:

- We reserved 100% of non-performing loans, which for this purpose we consider to be:
  Out-of-payroll loans for which Grupo Finmart is not receiving payments; and
  In-payroll loans for which Group Finmart has not received any payments for 180 consecutive days.
- We also established additional reserves on loan principal and accrued interest reserves for performing loans based on historical experience.

When we reserved 100% of a Grupo Finmart loan, we charged the loan principal to consumer loan bad debt expense, reduced interest revenue by the amount of unpaid interest theretofore accrued on the loan and ceased accruing interest revenue. Future collections were recorded as a reduction of consumer loan bad debt expense (in the case of written-off principal) and an increase in consumer loan fee revenue (in the case of written-off accrued interest) after principal had been recovered. Grupo Finmart provided an allowance for losses on performing, in-payroll loans and related interest receivable based on historical collection experience.

Recently Issued Accounting Pronouncements

In November 2016, the FASB issues ASU 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash. This ASU requires the inclusion of restricted cash with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted, including within interim periods. A reporting entity should apply the amendment on a retrospective basis as of the beginning of the fiscal year for which the amendments are effective. We are in the process of evaluating the impact of adopting FASB ASU 2016-18 on our consolidated financial position, results of operations and cash flows.

In August 2016, the FASB issued ASU 2016-15 Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This ASU provides guidance on eight specific cash flow issues. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted, including within interim periods. A reporting entity should apply the amendment on a retrospective basis as of the beginning of the fiscal year for which the amendments are effective. We are in the process of evaluating the impact of adopting FASB ASU 2016-15 on our consolidated financial position, results of operations and cash flows.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This ASU requires financial assets (or groups of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected, among other provisions. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted as of fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A reporting entity should generally apply the amendment on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting periods in which the amendment is effective. We are in the process of evaluating the impact of adopting FASB ASU 2016-13 on our consolidated financial position, results of operations and cash flows.

In March 2016, the FASB issued ASU 2016-09, Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. This ASU simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. A reporting entity should apply the amendment using transition guidance for each aspect of the ASU. We are in the process of evaluating the impact of adopting FASB ASU 2016-09 on our consolidated financial position, results of operations and cash flows.

In March 2016, the FASB issued ASU 2016-06, Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments a consensus of the FASB Emerging Issues Task Force. This ASU clarifies what steps are required when assessing whether the economic characteristics and risks of call (put) options are clearly and closely related to the economic characteristics and risks of their debt hosts, which is one of the criteria for bifurcating an embedded derivative. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. A reporting entity should apply the amendment on a modified retrospective basis to existing debt instruments as of the beginning of the fiscal year for which the amendments are effective. We are in the process of evaluating the impact of adopting FASB ASU 2016-06 on our consolidated financial position, results of operations and cash flows.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU requires companies to generally recognize on the balance sheet operating and financing lease liabilities and corresponding right-of-use assets. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted based upon guidance issued within the ASU. We are in the process of evaluating the impact of adopting FASB ASU 2016-02 on our consolidated financial position, results of operations and cash flows and anticipate providing further disclosure of that impact in fiscal 2017.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. This ASU makes targeted improvements to the accounting for, and presentation and disclosure of, financial assets and liabilities. The ASU further requires separate presentation of financial assets and financial liabilities by measurement category on the balance sheet or the accompanying notes to the financial statements. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted based upon guidance issued within the ASU. A reporting entity should apply the amendment prospectively, with a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. We are in the process of evaluating the impact of adopting FASB ASU 2016-01 on our consolidated financial position, results of operations and cash flows.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory. This ASU requires reporting entities measuring inventories under the first-in, first-out or average cost methods to measure inventory at the lower of cost or net realizable value, where net realizable value is "estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation." Inventory was previously required to be measured at the lower of cost or market value, where the measurement of market value had several potential outcomes. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted provided that presentation is applied to the beginning of the fiscal year of adoption. A reporting entity may apply the amendment prospectively. We have not completed the process of evaluating the impact that will result from adopting FASB ASU 2015-11. Therefore we are unable to disclose the impact that adopting FASB ASU 2015-11 will have on our financial position, results of operations and cash flows when such standard is adopted.

In April 2015, the FASB issued ASU 2015-05, Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. This ASU provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. A reporting entity may apply the amendment prospectively or retrospectively. We are in the process of evaluating the impact of adopting FASB ASU 2015-05 on our consolidated financial position, results of operations and cash flows.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements — Going Concern (Subtopic 205-40). This update provides guidance about management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern or to provide related footnote disclosures. FASB ASU 2014-15 requires management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term “substantial doubt,” (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management's plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). FASB ASU 2014-15 is effective prospectively for fiscal years beginning after December 15, 2016, and interim periods within those years. We do not anticipate that the adoption of FASB ASU 2014-15 will have a material effect on our financial position, results of operations or cash flows.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). On August 12, 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606) to defer the effective date to December 15, 2017 for annual reporting periods beginning after that date. The FASB also permitted early adoption of the standard, but not before the original effective date of December 15, 2016. The amendments in FASB ASU 2014-09 will be added to the Accounting Standards Codification as Topic 606, Revenue from Contracts with Customers, and will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, as well as some cost guidance in Subtopic 605-35, Revenue Recognition - Construction-Type and Production-Type Contracts. The core principle of FASB ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, the guidance provides that an entity should apply the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the entity satisfies a performance obligation. Notably, the existing requirements for the recognition of a gain or loss on the transfer of non-financial assets that are not in a contract with a customer (e.g., assets within the scope of Topic 360, Property, Plant, and Equipment, and intangible assets within the scope of Topic 350, Intangibles — Goodwill and Other) are amended to be consistent with the guidance on recognition and measurement in FASB ASU 2014-09. The new standard allows for two methods of adoption: (a) full retrospective adoption, meaning the standard is applied to all periods presented, or (b) modified retrospective adoption, meaning the cumulative effect of applying the new standard is recognized as an adjustment to the fiscal 2017 opening retained earnings balance. In March 2016 through May 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), FASB ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Consensuses of the FASB Emerging Issues Task Force and FASB ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients. FASB ASU 2016-08, 2016-10 and 2016-12 clarify implementation guidance and introduce practical expedients, and are effective upon adoption of FASB ASU 2014-09. We are evaluating the impact that will result from adopting FASB ASU 2014-09 and related ASUs on our consolidated financial position, results of operations, and cash flows and anticipate providing further disclosure of that impact in fiscal 2017.

NOTE 2: CORRECTIONS AND REVISIONS TO PRIOR PERIOD FINANCIAL STATEMENTS

Subsequent to the issuance of our Annual Report on Form 10-K for the fiscal year ended September 30, 2015, we identified errors in our historical financial statements, including the years ended September 30, 2015 and 2014. These prior year errors were identified as part of the current year remediation efforts associated with the income tax control deficiency described in our fiscal 2015 Annual Report. The errors identified relate primarily to the deferred tax balances associated with equity method investments, stock compensation, foreign acquisitions, true up of tax receivable accounts and the recognition of liabilities for uncertain tax positions. These errors resulted in an overstatement of October 1, 2013 and 2014 beginning retained earnings of $16.8 million and $19.8 million, respectively and an understatement of October 1, 2013 and 2014 beginning accumulated other comprehensive loss of nil and $0.1 million, respectively. There were no net changes to consolidated cash flows from operating, investing or financing activities for fiscal 2015 and 2014, however, revisions were made between net loss, deferred income taxes and income taxes receivable. The prior period amounts within the consolidated financial statements for the years ended September 30, 2015 and 2014 have been corrected.

In addition, certain reclassifications of prior period amounts have been made to conform to the current period presentation. These reclassifications, other than those pertaining to discontinued operations discussed in Note 3 and the adoption of FASB ASUs discussed in Note 1, primarily include the following, and are labeled “Other” in the tables below:

- Reclassification of "Consumer loans, net" and "Consumer loan fees and interest receivable, net," exclusive of Grupo Finmart amounts presented in Note 3, which are solely attributable to our Other International segment, to "Prepaid expenses and other current assets" to conform to current period presentation.
- Reclassification of "Consumer loan fees and interest," exclusive of Grupo Finmart amounts presented in Note 3, which are solely attributable to our Other International segment, to "Other revenues" to conform to current period presentation.
- Reclassification of “Consumer loan bad debt,” exclusive of Grupo Finmart amounts presented in Note 3, which are solely attributable to our Other International segment, to "Other cost of revenues" to conform to current period

presentation.

- Reclassification of "Other current liabilities" to "Accounts payable, accrued expenses and other current liabilities" as of September 30, 2015 to conform to current period presentation.
- Reclassification of other immaterial items to conform to current period presentation.

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The following tables show the impact of the foregoing.
EZCORP, Inc.
CONSOLIDATED BALANCE SHEET
(in thousands, except share and per share amounts)

	September 30, 2015				
	As Previously Reported	Corrections of Errors	Discontinued Operations	Other	As Corrected and Reclassified
Assets:					
Current assets:					
Cash and cash equivalents	$59,124	$—	$(2,880)	$—	$56,244
Restricted cash	15,137	—	(14,993)	(144)	—
Pawn loans	159,964	—	—	—	159,964
Consumer loans, net	36,533	—	(31,824)	(4,709)	—
Pawn service charges receivable, net	30,852	—	—	—	30,852
Consumer loan fees and interest receivable, net	19,802	—	(19,105)	(697)	—
Inventory, net	124,084	—	—	—	124,084
Deferred tax asset, net	44,134	—	—	(44,134)	—
Prepaid income taxes	7,945	(7,945)	—	—	—
Income taxes receivable	37,230	7,499	(2,498)	—	42,231
Current assets held for sale	—	—	72,849	—	72,849
Prepaid expenses and other current assets	21,076	—	(1,549)	5,550	25,077
Total current assets	555,881	(446)	—	(44,134)	511,301
Investment in unconsolidated affiliate	56,182	—	—	—	56,182
Property and equipment, net	75,594	—	(1,656)	—	73,938
Restricted cash, non-current	2,883	—	(2,883)	—	—
Goodwill	327,460	3,319	(79,133)	—	251,646
Intangible assets, net	50,434	—	(10,485)	(9,171)	30,778
Non-current consumer loans, net	75,824	—	(75,824)	—	—
Deferred tax asset, net	24,987	(16,942)	(18,003)	44,134	34,176
Non-current assets held for sale	—	—	217,233	—	217,233
Other assets, net	42,985	—	(29,249)	—	13,736
Total assets	$1,212,230	$(14,069)	$—	$(9,171)	$1,188,990
Liabilities, temporary equity and equity:					
Current liabilities:					
Current maturities of long-term debt	$74,345	$—	$(74,345)	$—	$—
Accounts payable, accrued expenses and other current liabilities	107,871	(396)	(12,984)	15,384	109,875
Current liabilities held for sale	—	—	87,329	—	87,329
Other current liabilities	15,384	—	—	(15,384)	—
Customer layaway deposits	10,470	—	—	—	10,470
Total current liabilities	208,070	(396)	—	—	207,674
Long-term debt, net	306,337	—	(99,190)	(9,171)	197,976
Non-current liabilities held for sale	—	—	101,644	—	101,644
Deferred gains and other long-term liabilities	6,157	6,226	(2,454)	—	9,929
Total liabilities	520,564	5,830	—	(9,171)	517,223

Commitments and contingencies					
Temporary equity:					
Class A Non-voting Common Stock, subject to possible redemption at $10.06 per share; 1,168,456 shares issued and outstanding at redemption value as of September 30, 2015	11,696	—	—	—	11,696
Redeemable noncontrolling interest	3,235	805	—	—	4,040
Total temporary equity	14,931	805	—	—	15,736
Stockholders’ equity:					
Class A Non-voting Common Stock, par value $.01 per share; shares authorized: 100 million as of September 30, 2015; issued and outstanding: 50,726,289 as of September 30, 2015	507	—	—	—	507
Class B Voting Common Stock, convertible, par value $.01 per share; 3 million shares authorized; issued and outstanding: 2,970,171	30	—	—	—	30
Additional paid-in capital	307,080	2,958	—	—	310,038
Retained earnings	423,137	(22,585)	—	—	400,552
Accumulated other comprehensive loss	(54,019)	(1,077)	—	—	(55,096)
EZCORP, Inc. stockholders’ equity	676,735	(20,704)	—	—	656,031
Total liabilities, temporary equity and equity	$1,212,230	$(14,069)	$—	$(9,171)	$1,188,990

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EZCORP, Inc.
CONSOLIDATED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30, 2015				
	As Previously Reported	Corrections of Errors	Discontinued Operations	Other	As Corrected and Reclassified
	(in thousands, except per share amounts)				
Revenues:					
Merchandise sales	$402,118	$—	$—	$ —	$402,118
Jewelry scrapping sales	57,973	—	—	—	57,973
Pawn service charges	247,204	—	—	—	247,204
Consumer loan fees and interest	78,066	—	(68,114)	(9,952)	—
Other revenues	3,008	—	(255)	9,952	12,705
Total revenues	788,369	—	(68,369)	—	720,000
Merchandise cost of goods sold	267,789	—	—	—	267,789
Jewelry scrapping cost of goods sold	46,066	—	—	—	46,066
Consumer loan bad debt	29,571	—	(26,446)	(3,125)	—
Other cost of revenues	—	—	—	3,125	3,125
Net revenues	444,943	—	(41,923)	—	403,020
Operating expenses:					
Operations	327,603	—	(32,664)	—	294,939
Administrative	72,986	—	—	—	72,986
Depreciation and amortization	33,543	—	(2,584)	—	30,959
Loss on sale or disposal of assets	2,659	—	—	—	2,659
Restructuring	17,080	—	—	—	17,080
Total operating expenses	453,871	—	(35,248)	—	418,623
Operating loss	(8,928)	—	(6,675)	—	(15,603)
Interest expense	42,202	—	(25,817)	—	16,385
Interest income	(1,608)	—	1,330	—	(278)
Loss from investments in unconsolidated affiliates	5,473	—	—	—	5,473
Impairment of investments	29,237	(2,400)	—	—	26,837
Other expense	6,611	—	(4,424)	—	2,187
Loss from continuing operations before income taxes	(90,843)	2,400	22,236	—	(66,207)
Income tax benefit	(26,695)	5,163	7,507	—	(14,025)
Loss from continuing operations, net of tax	(64,148)	(2,763)	14,729	—	(52,182)
Loss from discontinued operations, net of tax	(27,316)	—	(14,729)	—	(42,045)
Net loss	(91,464)	(2,763)	—	—	(94,227)
Net loss attributable to noncontrolling interest	(5,015)	(20)	—	—	(5,035)
Net loss attributable to EZCORP, Inc.	$(86,449)	$(2,743)	$—	$ —	$(89,192)
Basic loss per share attributable to EZCORP, Inc.:					
Continuing operations	$(1.09)	$(0.05)	$0.20	$ —	$(0.94)
Discontinued operations	(0.50)	—	(0.20)	—	(0.70)
Basic loss per share	$(1.59)	$(0.05)	$—	$ —	$(1.64)
Diluted loss per share attributable to EZCORP, Inc.:					
Continuing operations	$(1.09)	$(0.05)	$0.20	$ —	$(0.94)

Discontinued operations	(0.50)	—	(0.20)	—	(0.70)
Diluted loss per share	$(1.59)	$(0.05)	$—	$ —	$(1.64)
Weighted average shares outstanding:					
Basic	54,369	—	—	—	54,369
Diluted	54,369	—	—	—	54,369
Loss from continuing operations attributable to EZCORP, Inc.	$(59,133)	$(2,743)	$ 10,578	$ —	$(51,298)
Loss from discontinued operations attributable to EZCORP, Inc.	(27,316)	—	(10,578)	—	(37,894)
Net loss attributable to EZCORP, Inc.	$(86,449)	$(2,743)	$—	$ —	$(89,192)

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EZCORP, Inc.
CONSOLIDATED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30, 2014				
	As Previously Reported	Corrections of Errors	Discontinued Operations	Other	As Corrected and Reclassified
	(in thousands, except per share amounts)				
Revenues:					
Merchandise sales	$388,022	$ —	$ —	$ —	$ 388,022
Jewelry scrapping sales	96,241	—	—	—	96,241
Pawn service charges	248,378	—	—	—	248,378
Consumer loan fees and interest	63,702	—	(53,377)	(10,325)	—
Other revenues	3,949	—	(1,145)	10,325	13,129
Total revenues	800,292	—	(54,522)	—	745,770
Merchandise cost of goods sold	248,637	—	—	—	248,637
Jewelry scrapping cost of goods sold	72,830	—	—	—	72,830
Consumer loan bad debt	22,051	—	(19,605)	(2,446)	—
Other cost of revenues	—	—	—	2,446	2,446
Net revenues	456,774	—	(34,917)	—	421,857
Operating expenses:					
Operations	325,921	—	(32,184)	—	293,737
Administrative	79,944	—	—	—	79,944
Depreciation and amortization	31,762	—	(2,503)	—	29,259
Loss on sale or disposal of assets	(5,841)	—	—	—	(5,841)
Restructuring	6,664	—	—	—	6,664
Total operating expenses	438,450	—	(34,687)	—	403,763
Operating income	18,324	—	(230)	—	18,094
Interest expense	28,389	—	(20,478)	—	7,911
Interest income	(1,298)	—	999	—	(299)
Income from investments in unconsolidated affiliates	(5,948)	—	—	—	(5,948)
Impairment of investments	7,940	—	—	—	7,940
Other expense	480	—	121	—	601
Income (loss) from continuing operations before income taxes	(11,239)	—	19,128	—	7,889
Income tax expense (benefit)	(7,246)	3,956	7,741	—	4,451
Income (loss) from continuing operations, net of tax	(3,993)	(3,956)	11,387	—	3,438
Loss from discontinued operations, net of tax	(68,093)	2,006	(11,387)	—	(77,474)
Net loss	(72,086)	(1,950)	—	—	(74,036)
Net loss attributable to noncontrolling interest	(7,387)	1,068	—	—	(6,319)
Net loss attributable to EZCORP, Inc.	$(64,699)	$ (3,018)	$ —	$ —	$ (67,717)
Basic loss per share attributable to EZCORP, Inc.:					
Continuing operations	$0.05	$ (0.08)	$ 0.11	$ —	$ 0.08
Discontinued operations	(1.25)	0.03	(0.11)	—	(1.33)
Basic loss per share	$(1.20)	$ (0.05)	$ —	$ —	$ (1.25)
Diluted loss per share attributable to EZCORP, Inc.:					

Continuing operations	$0.06	$ (0.09)	$ 0.11	$ —	$ 0.08
Discontinued operations	(1.25)	0.03	(0.11)	—	(1.33)
Diluted loss per share	$(1.19)	$ (0.06)	$ —	$ —	$ (1.25)
Weighted average shares outstanding:					
Basic	54,148	—	—	—	54,148
Diluted	54,292	—	—	—	54,292
Income from continuing operations attributable to EZCORP, Inc.	$3,394	$ (5,024)	$ 6,106	$ —	$ 4,476
Loss from discontinued operations attributable to EZCORP, Inc.	(68,093)	2,006	(6,106)	—	(72,193)
Net loss attributable to EZCORP, Inc.	$(64,699)	$ (3,018)	$ —	$ —	$ (67,717)

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NOTE 3: DISCONTINUED OPERATIONS AND RESTRUCTURING

Fiscal 2016

On February 8, 2016 in conjunction with ongoing evaluation of our strategic direction, we announced that we were conducting a comprehensive review of strategic options for Grupo Finmart to be completed by the end of the third quarter of fiscal 2016. In April 2016, a special committee of our board of directors comprised entirely of independent directors, after reviewing a variety of strategic alternatives with management and our financial advisors, concluded that a sale of the business was the preferred alternative and authorized management to proceed with a process to solicit proposals from interested buyers. Effective July 1, 2016 we entered into a definitive agreement (the "Purchase Agreement") with Alpha Holding, S.A. de C.V. ("AlphaCredit"), pursuant to which AlphaCredit agreed to acquire Grupo Finmart.

On September 27, 2016, we completed the previously announced sale of all of our interests in Grupo Finmart to AlphaCredit. The sale was completed substantially in accordance with the terms set forth in the Purchase Agreement. Pursuant to the Purchase Agreement, AlphaCredit purchased all of our equity interests in Grupo Finmart, representing 93.78% of the issued and outstanding equity interests of Grupo Finmart, as well as a portion of the remaining interests held by the minority shareholders. The aggregate base price for 100% of Grupo Finmart was $50.0 million, subject to certain adjustments specified in the Purchase Agreement. Certain of the minority shareholders retained their equity interests in Grupo Finmart by entering into a shareholder agreement negotiated with AlphaCredit, and the portion of the purchase price attributable to such equity interests has been retained by AlphaCredit. Taking into consideration the $2.7 million attributable to the interests of the minority shareholders and following application of the purchase price adjustments (principally, working capital and non-operating debt adjustments), the purchase price payable to EZCORP was $40.9 million and, subject to the escrow amount described below, was paid in cash at closing. The purchase price is subject to final balance sheet adjustments within 90 days of closing.

An amount equal to 10% of the adjusted purchase price ($4.1 million) is subject to indemnification claims and is held in escrow for up to 18 months. AlphaCredit may also elect to withdraw funds from the escrow account to recover any amounts owed to it by reason of any post-closing purchase price adjustment. An additional $11.5 million was placed in a separate escrow account for tax purposes and was released to us on September 29, 2016 upon the filing and delivery of certain required tax documentation.

The amount of intercompany indebtedness owed by Grupo Finmart to EZCORP at the time of closing ($60.2 million) was restructured into two notes issued by Grupo Finmart and guaranteed by AlphaCredit. Each note provides for quarterly interest payments and principal repayments in installments over three years on the anniversary dates of the closing (30% on the first anniversary, 40% on the second anniversary and 30% on the third anniversary). The note governing the Mexican Peso denominated debt (principal amount of $8.2 million) is payable in Mexican Pesos at a 7.5% per annum interest rate, and the note governing the U.S. Dollar denominated debt (principal amount of $52.0 million) is payable in U.S. Dollars at a 4% per annum interest rate. These notes receivable were recorded at fair market value as further discussed in Note 7.

The Purchase Agreement provides for certain indemnification obligations of both EZCORP and AlphaCredit, subject to certain limitations. Generally, the maximum amount of our indemnification obligations is (1) 15% of the adjusted purchase price for general representations and warranties, (2) 25% of the adjusted purchase price for Special Representations (as defined in the Purchase Agreement) and (3) 100% of the proceeds received from AlphaCredit for all other indemnification obligations, including Fundamental Representations (as defined in the Purchase Agreement).

In addition, in connection with the closing, we paid a total of $31.1 million, including future interest payments and penalties, to existing Grupo Finmart lenders and stepped into the position of those lenders, including related collateral, and assumed the receivable from Grupo Finmart with no change in terms. All of this debt is scheduled to be repaid to EZCORP through December 2017. These notes receivable were recorded at fair market value as further discussed in Note 7.

This debt includes $25.3 million in total future payments pertaining to consolidated VIE debt supported by certain foreign currency hedge obligations of Grupo Finmart. We had previously guaranteed Grupo Finmart's obligations under those hedge contracts, and our guarantee was unaffected by the sale. However, because our guarantee relates to underlying debt that is now owed to us, we do not anticipate any losses arising from the guarantee. Further, AlphaCredit, subject to certain exceptions, has agreed to reimburse us for any amounts we are required to pay under the guarantee. Although these guarantees offset each other, each is shown separately on our consolidated balance sheet at September 30, 2016 (our guarantee as a liability and the AlphaCredit backup guarantee as an asset).

During the fourth quarter of fiscal 2016 as a result of the Grupo Finmart disposition, we recorded a gain of $34.2 million and a $2.1 million loss on assumption of existing Grupo Finmart debt, before taxes. The gain, which is recorded in our consolidated statement of operations under “Loss from discontinued operations, net of tax,” does not take into consideration the total costs

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associated with the transaction. Those costs were $9.8 million, approximately $8.0 million of which were recorded in fiscal 2016 and the remaining $1.8 million of which will be recorded in future periods due to ongoing employee service requirements.

The amount of gain recorded, in thousands, as a result of the disposition of Grupo Finmart was calculated under FASB ASC 810-10-40-5 as follows:

Fair value of consideration received	$123,949
Carrying amount of noncontrolling interest in Grupo Finmart at the date of deconsolidation	(3,014)
Carrying amount of Grupo Finmart's assets and liabilities at the date of deconsolidation	(61,525)
Accumulated other comprehensive loss reclassified into income	(25,173)
	$34,237

As a result of the decision to sell the Grupo Finmart business, we classified Grupo Finmart as held for sale as of June 30, 2016 and recast all segment operations of Grupo Finmart as discontinued operations. We recognized no loss on classification as held for sale during the three-months ended June 30, 2016. All historical assets and liabilities of Grupo Finmart have been presented as current or non-current based on their historical presentation.

As of the completion of the disposition transaction as described above, Grupo Finmart is no longer a subsidiary of EZCORP and neither Grupo Finmart nor AlphaCredit is considered to be a related party to EZCORP. See Note 7 for additional information regarding our continuing involvement with Grupo Finmart.

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The following table presents the reconciliation of the major line items constituting "Loss from discontinued operations, net of tax" of Grupo Finmart and other operations discontinued prior to the adoption of ASU 2014-08 that are presented in the consolidated statements of operations:

	Fiscal Year Ended September 30,		
	2016	2015	2014
	(in thousands)		
Revenues	$45,256	$68,369	$54,522
Consumer loan bad debt	(30,081)	(26,446)	(19,605)
Operations expense	(38,740)	(32,664)	(32,184)
Impairment of goodwill			