

Regional Management Corp.

Form 10-Q

November 14, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2012

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period ended

Commission File Number: 001-35477

Regional Management Corp.

(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	57-0847115 (I.R.S. Employer Identification No.)
509 West Butler Road Greenville, South Carolina (Address of principal executive offices)	29607 (Zip Code)
(864) 422-8011 (Registrant's telephone number, including area code)	

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

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

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

As of November 13, 2012, the registrant had outstanding 12,486,727 shares of Common Stock, \$0.10 par value.

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****Regional Management Corp. and Subsidiaries****Consolidated Balance Sheets****September 30, 2012 and December 31, 2011****(\$ in Thousands except per share amounts)**

	September 30, 2012 (Unaudited)	December 31, 2011
Assets		
Cash	\$ 4,360	\$ 4,849
Gross finance receivables	483,847	387,494
Less unearned finance charges, insurance premiums, and commissions	(86,927)	(80,900)
Finance receivables	396,920	306,594
Allowance for loan losses	(22,132)	(19,300)
Net finance receivables	374,788	287,294
Premises and equipment, net of accumulated depreciation	5,116	4,446
Deferred tax asset, net		15
Reposessed assets at net realizable value	714	409
Other assets	9,314	7,137
Total assets	\$ 394,292	\$ 304,150
Liabilities and Stockholders' Equity		
Liabilities:		
Cash overdraft	\$	\$ 1
Deferred tax liability, net	5,469	
Accounts payable and accrued expenses	5,417	7,447
Senior revolving credit facility	258,308	206,009
Mezzanine debt-related parties		25,814
Other notes payable	1,404	
Total liabilities	270,598	239,271
Temporary equity		12,000
Commitments and Contingencies		
Stockholders' equity:		
Common stock, \$0.10 par value, 1,000,000,000 shares authorized, 12,486,727 shares issued and outstanding at September 30, 2012; 25,000,000 shares authorized, 9,336,727 shares issued and outstanding at December 31, 2011	1,249	934
Additional paid-in-capital	79,921	28,150
Retained earnings	42,524	23,795
Total stockholders' equity	123,694	52,879

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Total liabilities and stockholders equity	\$	394,292	\$	304,150
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See accompanying notes to consolidated financial statements (unaudited).

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Table of Contents**Regional Management Corp. and Subsidiaries****Consolidated Statements of Income****For the Three and Nine months ended September 30, 2012 and 2011****(Unaudited)****(\$ in Thousands except per share amounts)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenue				
Interest and fee income	\$ 31,089	\$ 23,406	\$ 86,333	\$ 65,945
Insurance income, net	2,689	2,139	7,684	6,266
Other income	1,712	1,176	5,029	3,580
Total revenue	35,490	26,721	99,046	75,791
Expenses				
Provision for loan losses	7,384	4,569	18,918	11,894
General and administrative expenses				
Personnel	8,539	6,565	24,766	19,381
Occupancy	2,301	1,710	6,281	4,771
Advertising	632	406	1,857	1,699
Other	2,832	1,587	7,451	4,799
Consulting and advisory fees		177	1,451	795
Interest expense				
Senior revolving credit facility and other notes payable	2,705	2,313	7,557	6,027
Mezzanine debt-related parties		1,016	1,030	3,019
Total interest expense	2,705	3,329	8,587	9,046
Total expenses	24,393	18,343	69,311	52,385
Income before income taxes	11,097	8,378	29,735	23,406
Income taxes	4,109	3,193	11,005	8,566
Net income	\$ 6,988	\$ 5,185	\$ 18,730	\$ 14,840
Net income per common share:				
Basic	\$ 0.56	\$ 0.56	\$ 1.64	\$ 1.59
Diluted	\$ 0.55	\$ 0.54	\$ 1.60	\$ 1.55
Weighted average common shares outstanding:				
Basic	12,486,727	9,336,727	11,429,063	9,336,727
Diluted	12,774,488	9,548,147	11,712,565	9,574,651

See accompanying notes to consolidated financial statements (unaudited).

Table of Contents**Regional Management Corp. and Subsidiaries****Consolidated Statements of Cash Flows****For the Nine months ended September 30, 2012 and 2011****(Unaudited)****(\$ in Thousands)**

	2012	2011
Cash Flows From Operating Activities		
Net income	\$ 18,730	\$ 14,840
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	18,918	11,894
Depreciation and amortization	1,881	987
Amortization of stock compensation expense	305	157
Fair value adjustment on interest rate caps	26	236
Deferred income taxes	5,485	1,154
Changes in operating assets and liabilities:		
Increase in other assets	(3,296)	(2,624)
Increase in other liabilities	(2,032)	(461)
Net cash provided by operating activities	40,017	26,183
Cash flows from investing activities:		
Net origination of finance receivables	(78,447)	(47,594)
Purchase of the assets of two consumer loan companies, net of cash	(27,967)	
Purchase of property and equipment	(1,761)	(1,969)
Increase in restricted cash		(450)
Net cash (used in) investing activities	(108,175)	(50,013)
Cash flows from financing activities:		
Decrease in cash overdraft	(1)	(332)
Issuance (payments) of other notes payable, net	1,404	(466)
Net proceeds from issuance of common stock	39,781	
Net advances on senior revolving credit facility	52,299	26,572
Repayment of mezzanine debt	(25,814)	