

CASH AMERICA INTERNATIONAL INC

Form 10-Q

July 26, 2013

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☐ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2013

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-9733

(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of

Incorporation or organization)

75-2018239
(I.R.S. Employer

Identification No.)

1600 West 7th Street

Fort Worth, Texas
(Address of principal executive offices)

76102
(Zip Code)

(817) 335-1100

(Registrant's telephone number, including area code)

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NONE

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

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

Yes ☒ No ☐

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

Yes ☒ No ☐

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

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

(Do not check if a smaller reporting company)

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

Yes ☐ No ☒

APPLICABLE ONLY TO CORPORATE ISSUERS:

28,159,548 of the Registrant's common shares, \$.10 par value, were issued and outstanding as of July 22, 2013.

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CASH AMERICA INTERNATIONAL, INC.

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CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS

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

changes in domestic and foreign pawn, consumer credit, tax and other laws and government rules and regulations applicable to the Company's business, or changes in the interpretation or enforcement thereof, and the anticipated regulation of consumer financial products and services by the Consumer Financial Protection Bureau;

public perception of the Company's business, including its consumer loan business and its business practices;

the deterioration of the political, regulatory or economic environment in foreign countries where the Company operates or in the future may operate;

fluctuations, including a sustained decrease, in the price of gold or a deterioration in economic conditions;

the effect of any current or future litigation proceedings and any judicial decisions or rule-making that affect the Company, its products or the legality or enforceability of its arbitration agreements;

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

the ability of the Company to maintain an allowance or liability for estimated losses on consumer loans that are adequate to absorb credit losses;

changes in demand for the Company's services and changes in competition in the Company's online channel;

the ability of the Company to attract and retain qualified executive officers;

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

the ability of the Company to open new locations in accordance with plans or to successfully integrate newly acquired businesses into the Company's operations;

interest rate and foreign currency exchange rate fluctuations;

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

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

cyber attacks or security breaches;

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

the effect of any of the above changes on the Company's business or the markets in which the Company operates; and

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

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

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

(Unaudited)

	2013	June 30, 2012	December 31, 2012
Assets			
Current assets:			
Cash and cash equivalents	\$ 131,905	\$ 68,939	\$ 63,134
Pawn loans	229,574	232,909	244,640
Consumer loans, net	287,127	226,364	289,418
Merchandise held for disposition, net	155,112	144,814	167,409
Pawn loan fees and service charges receivable	45,566	44,606	48,991
Income taxes receivable	25,495		
Prepaid expenses and other assets	30,985	34,578	35,605
Deferred tax assets	43,628	37,846	48,992
Total current assets	949,392	790,056	898,189
Property and equipment, net	250,842	255,685	261,771
Goodwill	608,242	564,313	608,216
Intangible assets, net	34,067	32,819	36,473
Other assets	21,571	15,503	13,609
Total assets	\$ 1,864,114	\$ 1,658,376	\$ 1,818,258
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued expenses	\$ 123,037	\$ 93,569	\$ 126,664
Customer deposits	12,962	11,537	11,420
Income taxes currently payable		2,135	5,922
Current portion of long-term debt	22,606	35,939	43,617
Total current liabilities	158,605	143,180	187,623
Deferred tax liabilities	103,759	93,930	101,711
Noncurrent income tax payable	36,834	2,449	2,703
Other liabilities	1,609	1,137	888
Long-term debt	547,218	438,462	534,713
Total liabilities	\$ 848,025	\$ 679,158	\$ 827,638
Equity:			
Cash America International, Inc. equity:			
Common stock, \$0.10 par value per share, 80,000,000 shares authorized, 30,235,164 shares issued and outstanding	3,024	3,024	3,024
Additional paid-in capital	156,349	166,135	157,613

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Retained earnings	946,483	845,292	879,434
Accumulated other comprehensive (loss) income	(362)	(3,988)	3,128
Treasury shares, at cost (2,107,082 shares, 929,223 shares and 1,351,712 shares as of June 30, 2013 and 2012, and as of December 31, 2012, respectively)	(89,405)	(34,861)	(51,304)
Total Cash America International, Inc. shareholders' equity	1,016,089	975,602	991,895
Noncontrolling interest		3,616	(1,275)
Total equity	1,016,089	979,218	990,620
Total liabilities and equity	\$ 1,864,114	\$ 1,658,376	\$ 1,818,258

See notes to consolidated financial statements.

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(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenue				
Pawn loan fees and service charges	\$ 72,728	\$ 72,051	\$ 148,642	\$ 144,950
Proceeds from disposition of merchandise	131,532	155,956	310,249	364,339
Consumer loan fees	202,431	180,722	412,636	353,562
Other	4,260	2,915	7,552	6,281
Total Revenue	410,951	411,644	879,079	869,132
Cost of Revenue				
Disposed merchandise	88,961	105,639	210,296	243,960
Consumer loan loss provision	77,229	72,397	152,081	134,780
Total Cost of Revenue	166,190	178,036	362,377	378,740
Net Revenue	244,761	233,608	516,702	490,392
Expenses				
Operations and administration	177,513	164,190	354,337	334,345
Depreciation and amortization	18,000	15,187	35,531	29,808
Total Expenses	195,513	179,377	389,868	364,153
Income from Operations	49,248	54,231	126,834	126,239
Interest expense	(8,903)	(6,693)	(16,348)	(13,869)
Interest income				