

FIRST CASH FINANCIAL SERVICES INC

Form 10-Q

July 28, 2014

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

FORM 10-Q

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

For the quarterly period ended June 30, 2014

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 0-19133

FIRST CASH FINANCIAL SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware

75-2237318

(State or other jurisdiction of incorporation or  
organization)

(I.R.S. Employer Identification No.)

690 East Lamar Blvd., Suite 400

76011

Arlington, Texas

(Zip Code)

(Address of principal executive offices)

(817) 460-3947

(Registrant's telephone number, including area code)

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 (Do not check if a smaller reporting company)

Smaller reporting company

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

Yes  No

As of July 21, 2014, there were 28,470,405 shares of common stock outstanding.

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FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2014

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CAUTIONARY STATEMENT REGARDING RISKS AND UNCERTAINTIES THAT MAY AFFECT FUTURE RESULTS

Forward-Looking Information

This quarterly report contains forward-looking statements about the business, financial condition and prospects of First Cash Financial Services, Inc. and its wholly owned subsidiaries (together, the “Company”). Forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, can be identified by the use of forward-looking terminology such as “believes,” “projects,” “expects,” “may,” “estimates,” “should,” “plans,” “targets,” “in,” “could,” or “anticipates,” or the negative thereof, or other variations thereon, or comparable terminology, or by discussions of strategy or objectives. Forward-looking statements can also be identified by the fact that these statements do not relate strictly to historical or current matters. Rather, forward-looking statements relate to anticipated or expected events, activities, trends or results. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties.

Forward-looking statements in this quarterly report include, without limitation, the Company’s expectations of earnings per share, earnings growth, expansion strategies, regulatory exposures, store openings, liquidity (including the availability of capital under existing credit facilities), cash flow, consumer demand for the Company’s products and services, income tax rates, currency exchange rates and the price of gold and the impacts thereof, earnings and related transaction expenses from acquisitions, the ability to successfully integrate acquisitions and other performance results. These statements are made to provide the public with management’s current assessment of the Company’s business. Although the Company believes the expectations reflected in forward-looking statements are reasonable, there can be no assurances such expectations will prove to be accurate. Security holders are cautioned such forward-looking statements involve risks and uncertainties. Certain factors may cause results to differ materially from those anticipated by the forward-looking statements made in this quarterly report. Such factors are difficult to predict and many are beyond the control of the Company and may include, without limitation, the following:

- changes in regional, national or international economic conditions, including inflation rates, unemployment rates and energy prices;
- changes in consumer demand, including purchasing, borrowing and repayment behaviors;
- changes in pawn forfeiture rates and credit loss provisions;
- changes in the market value of pawn collateral and merchandise inventories, including gold prices and the value of consumer electronics and other products;
- changes or increases in competition;
- the ability to locate, open and staff new stores and successfully integrate acquisitions;
- the availability or access to sources of used merchandise inventory;
- changes in credit markets, interest rates and the ability to establish, renew and/or extend the Company’s debt financing;
- the ability to maintain banking relationships for treasury services and processing of certain consumer lending transactions;
- the ability to hire and retain key management personnel;
- new federal, state or local legislative initiatives or governmental regulations (or changes to existing laws and regulations) affecting pawn businesses, consumer loan businesses and credit services organizations (in both the United States and Mexico);
- risks and uncertainties related to foreign operations in Mexico;
- changes in import/export regulations and tariffs or duties;
- changes in anti-money laundering and gun control regulations;
- unforeseen litigation;
- changes in tax rates or policies in the U.S. and Mexico;
- changes in foreign currency exchange rates;
- inclement weather, natural disasters and public health issues;
- security breaches, cyber attacks or fraudulent activity;

a prolonged interruption in the Company's operations of its facilities, systems, and business functions, including its information technology and other business systems;  
the implementation of new, or changes in the interpretation of existing, accounting principles or financial reporting requirements; and  
future business decisions.

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These and other risks, uncertainties and regulatory developments are further and more completely described in the Company's 2013 annual report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2014, including the risks described in Item 1A "Risk Factors" of the Company's annual report and this quarterly report. Many of these risks and uncertainties are beyond the ability of the Company to control, nor can the Company predict, in many cases, all of the risks and uncertainties that could cause its actual results to differ materially from those indicated by the forward-looking statements. The forward-looking statements contained in this quarterly report speak only as of the date of this quarterly report, and the Company expressly disclaims any obligation or undertaking to report any updates or revisions to any such statement to reflect any change in the Company's expectations or any change in events, conditions or circumstances on which any such statement is based, except as required by law.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

FIRST CASH FINANCIAL SERVICES, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(unaudited, in thousands)

|  | June 30,<br>2014 | 2013       | December 31,<br>2013 |
|--|------------------|------------|----------------------|
| <b>ASSETS</b>  |                  |            |                      |
| Cash and cash equivalents  | \$ 84,055        | \$ 32,706  | \$ 70,643            |
| Pawn loan fees and service charges receivable  | 17,808           | 16,354     | 16,689               |
| Pawn loans   | 123,901          | 112,212    | 115,234              |
| Consumer loans, net  | 1,339            | 1,504      | 1,450                |
| Inventories  | 77,587           | 82,005     | 77,793               |
| Prepaid expenses and other current assets  | 1,724            | 2,723      | 3,369                |
| Deferred tax assets  | 5,348            | 1,148      | 5,044                |
| Total current assets   | 311,762          | 248,652    | 290,222              |
| Property and equipment, net  | 112,488          | 97,734     | 108,137              |
| Goodwill, net  | 254,918          | 220,418    | 251,241              |
| Other non-current assets   | 15,559           | 8,639      | 9,373                |
| Total assets   | \$ 694,727       | \$ 575,443 | \$ 658,973           |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                  |            |                      |
| Current portion of notes payable   | \$ —             | \$ 3,268   | \$ 3,326             |
| Accounts payable and accrued liabilities   | 42,400           | 31,759     | 38,023               |
| Income taxes payable   | —                | 506        | 7,412                |
| Total current liabilities  | 42,400           | 35,533     | 48,761               |
| Revolving unsecured credit facility  | —                | 153,000    | 182,000              |
| Notes payable, net of current portion  | —                | 6,704      | 5,026                |
| Senior unsecured notes   | 200,000          | —          | —                    |
| Deferred income tax liabilities  | 9,970            | 14,404     | 8,827                |
| Total liabilities  | 252,370          | 209,641    | 244,614              |
| Stockholders' equity:  |                  |            |                      |
| Preferred stock  | —                | —          | —                    |
| Common stock   | 394              | 393        | 394                  |
| Additional paid-in capital   | 178,978          | 175,555    | 176,675              |
| Retained earnings  | 536,425          | 449,809    | 497,728              |
| Accumulated other comprehensive income (loss) from cumulative foreign currency translation adjustments | (7,439)          | ) (7,268   | ) (7,751 )           |
| Common stock held in treasury, at cost   | (266,001)        | ) (252,687 | ) (252,687 )         |
| Total stockholders' equity   | 442,357          | 365,802    | 414,359              |
| Total liabilities and stockholders' equity   | \$ 694,727       | \$ 575,443 | \$ 658,973           |

The accompanying notes are an integral part

of these condensed consolidated financial statements.

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FIRST CASH FINANCIAL SERVICES, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (unaudited, in thousands, except per share amounts)

|  | Three Months Ended |          | Six Months Ended |           |
|--|--------------------|----------|------------------|-----------|
|  | June 30,           |          | June 30,         |           |
|  | 2014               | 2013     | 2014             | 2013      |
| Revenue:   |                    |          |                  |           |
| Retail merchandise sales                               | \$97,188           | \$83,900 | \$195,896        | \$165,670 |
| Pawn loan fees   | 47,555             | 43,052   | 95,193           | 86,203    |
| Consumer loan and credit services fees                 | 8,416              | 10,085   | 18,200           | 21,852    |
| Wholesale scrap jewelry revenue                        | 12,167             | 5,317    | 25,814           | 28,541    |
| Total revenue  | 165,326            | 142,354  | 335,103          | 302,266   |
| Cost of revenue:                                       |                    |          |                  |           |
| Cost of retail merchandise sold                        | 59,093             | 51,092   | 119,583          | 99,131    |
| Consumer loan and credit services loss provision       | 2,236              | 2,515    | 3,979            | 4,624     |
| Cost of wholesale scrap jewelry sold                   | 10,076             | 4,600    | 21,164           | 23,104    |
| Total cost of revenue                                  | 71,405             | 58,207   | 144,726          | 126,859   |
| Net revenue  | 93,921             | 84,147   | 190,377          | 175,407   |
| Expenses and other income:                             |                    |          |                  |           |
| Store operating expenses                               | 48,934             | 43,308   | 97,426           | 86,113    |
| Administrative expenses                                | 13,615             | 12,764   | 26,944           | 25,856    |
| Depreciation and amortization                          | 4,325              | 3,733    | 8,597            | 7,358     |
| Interest expense                                       | 3,910              | 633      | 5,346            | 1,352     |
| Interest income  | (262)              | ) (51    | ) (343           | ) (198    |
| Total expenses and other income                        | 70,522             | 60,387   | 137,970          | 120,481   |
| Income from continuing operations before income taxes  | 23,399             | 23,760   | 52,407           | 54,926    |
| Provision for income taxes                             | 7,384              | 8,106    | 13,438           | 19,092    |
| Income from continuing operations                      | 16,015             | 15,654   | 38,969           | 35,834    |
| Income (loss) from discontinued operations, net of tax | —                  | 9        | (272             | ) 93      |
| Net income   | \$16,015           | \$15,663 | \$38,697         | \$35,927  |
| Basic income per share:                                |                    |          |                  |           |
| Income from continuing operations                      | \$0.55             | \$0.54   | \$1.35           | \$1.23    |
| Income (loss) from discontinued operations             | —                  | —        | (0.01            | ) —       |
| Net income per basic share                             | \$0.55             | \$0.54   | \$1.34           | \$1.23    |
| Diluted income per share:                              |                    |          |                  |           |
| Income from continuing operations                      | \$0.55             | \$0.53   | \$1.33           | \$1.21    |
| Income (loss) from discontinued operations             | —                  | —        | (0.01            | ) —       |
| Net income per diluted share                           | \$0.55             | \$0.53   | \$1.32           | \$1.21    |



The accompanying notes are an integral part  
of these condensed consolidated financial statements.

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FIRST CASH FINANCIAL SERVICES, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (unaudited, in thousands)

|  | Three Months Ended |           | Six Months Ended |           |
|--|--------------------|-----------|------------------|-----------|
|  | June 30,           |           | June 30,         |           |
|  | 2014               | 2013      | 2014             | 2013      |
| Net income                             | \$ 16,015          | \$ 15,663 | \$ 38,697        | \$ 35,927 |
| Other comprehensive income (loss):     |                    |           |                  |           |
| Currency translation adjustment, gross | 873                | (10,047   | ) 480            | (636      |
| Tax (expense) benefit                  | (306               | ) 3,488   | (168             | ) 308     |
| Comprehensive income                   | \$ 16,582          | \$ 9,104  | \$ 39,009        | \$ 35,599 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

FIRST CASH FINANCIAL SERVICES, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
 (unaudited, in thousands)

|   | Preferred Stock |        | Common Stock |        | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Common Stock Held in Treasury |             | Total Stockholders' Equity |
|---|-----------------|--------|--------------|--------|----------------------------|-------------------|---|-------------------------------|-------------|----------------------------|
|   | Shares          | Amount | Shares       | Amount |                            |                   |   | Shares                        | Amount      |                            |
| Balance at 12/31/2013                             | —               | \$—    | 39,377       | \$394  | \$176,675                  | \$497,728         | \$(7,751                                      | ) 10,429                      | \$(252,687) | \$414,359                  |
| Shares issued under share-based compensation plan | —               | —      | 5            | —      | —                          | —                 | —   | —                             | —           | —                          |
| Exercise of stock options                         | —               | —      | 45           | —      | 712                        | —                 | —   | —                             | —           | 712                        |
| Income tax benefit from exercise of stock options | —               | —      | —            | —      | 677                        | —                 | —   | —                             | —           | 677                        |
| Share-based compensation expense                  | —               | —      | —            | —      | 914                        | —                 | —   | —                             | —           | 914                        |
| Net income  | —               | —      | —            | —      | —                          | 38,697            | —   | —                             | —           | 38,697                     |
| Currency translation adjustment, net of tax       | —               | —      | —            | —      | —                          | —                 | 312   | —                             | —           | 312                        |

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|                               |   |     |        |       |           |           |            |        |             |           |
|-------------------------------|---|-----|--------|-------|-----------|-----------|------------|--------|-------------|-----------|
| Repurchases of treasury stock | — | —   | —      | —     | —         | —         | —          | 235    | (13,314 )   | (13,314 ) |
| Balance at 6/30/2014          | — | \$— | 39,427 | \$394 | \$178,978 | \$536,425 | \$(7,439 ) | 10,664 | \$(266,001) | \$442,357 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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FIRST CASH FINANCIAL SERVICES, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
 CONTINUED  
 (unaudited, in thousands)

|   | Preferred Stock |        | Common Stock |        | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Common Stock Held in Treasury |             | Total Stockholders' Equity |
|---|-----------------|--------|--------------|--------|----------------------------|-------------------|---|-------------------------------|-------------|----------------------------|
|   | Shares          | Amount | Shares       | Amount |                            |                   |   | Shares                        | Amount      |                            |
| Balance at 12/31/2012                             | —               | \$—    | 38,796       | \$388  | \$159,081                  | \$413,882         | \$(6,940 )                                    | 9,700                         | \$(213,995) | \$352,416                  |
| Shares issued under share-based compensation plan | —               | —      | 4            | —      | —                          | —                 | —   | —                             | —           | —                          |
| Exercise of stock options                         | —               | —      | 532          | 5      | 8,417                      | —                 | —   | —                             | —           | 8,422                      |
| Income tax benefit from exercise of stock options | —               | —      | —            | —      | 7,218                      | —                 | —   | —                             | —           | 7,218                      |
| Share-based compensation expense                  | —               | —      | —            | —      | 839                        | —                 | —   | —                             | —           | 839                        |
| Net income  | —               | —      | —            | —      | —                          | 35,927            | —   | —                             | —           | 35,927                     |
| Currency translation adjustment, net of tax       | —               | —      | —            | —      | —                          | —                 | (328 )  | —                             | —           | (328 )                     |
| Repurchases of treasury stock                     | —               | —      | —            | —      | —                          | —                 | —   | 729                           | (38,692 )   | (38,692 )                  |
| Balance at 6/30/2013                              | —               | \$—    | 39,332       | \$393  | \$175,555                  | \$449,809         | \$(7,268 )                                    | 10,429                        | \$(252,687) | \$365,802                  |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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FIRST CASH FINANCIAL SERVICES, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (unaudited, in thousands)

|  | Six Months Ended |           |
|--|------------------|-----------|
|  | June 30,         |           |
|  | 2014             | 2013      |
| Cash flow from operating activities:   |                  |           |
| Net income   | \$ 38,697        | \$ 35,927 |
| Adjustments to reconcile net income to net cash flow provided by operating activities: |                  |           |
| Non-cash portion of credit loss provision  | 486              | 496       |
| Share-based compensation expense   | 914              | 839       |
| Depreciation and amortization expense  | 8,597            | 7,358     |
| Amortization of debt issuance costs  | 535              | —         |
| Deferred income taxes  | 692              | 1,437     |
| Changes in operating assets and liabilities, net of business combinations:             |                  |           |
| Pawn fees and service charges receivable   | (1,092           | ) (1,193  |
| Merchandise inventories  | 211              | (3,945    |
| Prepaid expenses and other assets  | 1,540            | 2,150     |
| Accounts payable and accrued expenses  | 6,202            | 1,699     |
| Income taxes payable, current  | (7,842           | ) 279     |
| Net cash flow provided by operating activities   | 48,940           | 45,047    |
| Cash flow from investing activities:   |                  |           |
| Loan receivables, net of cash repayments   | (7,958           | ) (7,362  |
| Purchases of property and equipment  | (12,059          | ) (10,374 |
| Acquisitions of pawn stores, net of cash acquired                                      | (6,389           | ) (71,501 |
| Net cash flow used in investing activities   | (26,406          | ) (89,237 |
| Cash flow from financing activities:   |                  |           |
| Borrowings from revolving credit facilities  | 2,500            | 116,600   |
| Repayments of revolving credit facilities  | (184,500         | ) (66,100 |
| Repayments of notes payable  | (8,352           | ) (1,591  |
| Issuance of senior unsecured notes   | 200,000          | —         |
| Debt issuance costs paid   | (6,798           | ) —       |
| Purchases of treasury stock  | (13,314          | ) (38,692 |
| Proceeds from exercise of share-based compensation awards                              | 712              | 8,422     |
| Income tax benefit from exercise of stock options                                      | 677              | 7,218     |
| Net cash flow provided by (used in) financing activities                               | (9,075           | ) 25,857  |
| Effect of exchange rates on cash   | (47              | ) 754     |
| Change in cash and cash equivalents  | 13,412           | (17,579   |
| Cash and cash equivalents at beginning of the period                                   | 70,643           | 50,285    |
| Cash and cash equivalents at end of the period   | \$ 84,055        | \$ 32,706 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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FIRST CASH FINANCIAL SERVICES, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

Note 1 - Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements, including the notes thereto, include the accounts of First Cash Financial Services, Inc. and its wholly-owned subsidiaries (together, the "Company"). All significant intercompany accounts and transactions have been eliminated.

These unaudited consolidated financial statements are condensed and do not include all disclosures and footnotes required by generally accepted accounting principles in the United States of America for complete financial statements. These interim period financial statements should be read in conjunction with the Company's consolidated financial statements, which are included in the Company's annual report for the year ended December 31, 2013, on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on February 28, 2014. The condensed consolidated financial statements as of June 30, 2014 and for the three month and six month periods ended June 30, 2014 and 2013 are unaudited, but in management's opinion, include all adjustments (consisting of only normal recurring adjustments) considered necessary to present fairly the financial position, results of operations and cash flow for such interim periods. Operating results for the periods ended June 30, 2014 are not necessarily indicative of the results that may be expected for the full fiscal year.

The Company manages its pawn and consumer loan operations under three operating segments: U.S. pawn operations, U.S. consumer loan operations and Mexico operations. The three operating segments have been aggregated into one reportable segment because they have similar economic characteristics and similar long-term financial performance metrics. Additionally, all three segments offer similar and overlapping products and services to a similar customer demographic, operate in similar regulatory environments, and are supported by a single, centralized administrative support platform.

The Company has significant operations in Mexico where the functional currency for the Company's Mexican subsidiaries is the Mexican peso. Accordingly, the assets and liabilities of these subsidiaries are translated into U.S. dollars at the exchange rate in effect at each balance sheet date, and the resulting adjustments are accumulated in other comprehensive income (loss) as a separate component of stockholders' equity. Revenue and expenses are translated at the average exchange rates occurring during the three-month and year-to-date periods.

Certain amounts in prior year comparative presentations have been reclassified in order to conform to the 2014 presentation.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board issued ASU No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360)" ("ASU 2014-08"). The amendments in ASU 2014-08 require that a disposal representing a strategic shift that has (or will have) a major effect on an entity's financial results or a business activity classified as held for sale should be reported as discontinued operations. The amendments also expand the disclosure requirements for discontinued operations and add new disclosures for individually significant dispositions that do not qualify as discontinued operations. The amendments are effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2014 (early adoption is permitted only for disposals that have not been previously reported). The Company does not expect

ASU 2014-08 to have a material effect on the Company's current financial position, results of operations or financial statement disclosures, however, it may impact the reporting of future discontinued operations if and when they occur.

In May 2014, the Financial Accounting Standards Board issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for annual reporting periods, and interim periods within that period, beginning after December 15, 2016 and early adoption is not permitted. The Company does not expect ASU 2014-09 to have a material effect on the Company's current financial position or results of operations, however, it may impact the reporting of future financial statement disclosures.

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## Note 2 - Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (unaudited, in thousands, except per share data):

|  | Three Months Ended |           | Six Months Ended |           |
|--|--------------------|-----------|------------------|-----------|
|  | June 30,           |           | June 30,         |           |
|  | 2014               | 2013      | 2014             | 2013      |
| Numerator:   |                    |           |                  |           |
| Income from continuing operations for calculating basic and diluted earnings per share | \$ 16,015          | \$ 15,654 | \$ 38,969        | \$ 35,834 |
| Income (loss) from discontinued operations   | —                  | 9         | (272             | ) 93      |
| Net income for calculating basic and diluted earnings per share                        | \$ 16,015          | \$ 15,663 | \$ 38,697        | \$ 35,927 |
| Denominator:   |                    |           |                  |           |
| Weighted-average common shares for calculating basic earnings per share                | 28,938             | 29,167    | 28,945           | 29,240    |
| Effect of dilutive securities:   |                    |           |                  |           |
| Stock options and nonvested awards   | 403                | 436       | 396              | 539       |
| Weighted-average common shares for calculating diluted earnings per share              | 29,341             | 29,603    | 29,341           | 29,779    |
| Basic earnings per share:  |                    |           |                  |           |
| Income from continuing operations  | \$ 0.55            | \$ 0.54   | \$ 1.35          | \$ 1.23   |
| Income (loss) from discontinued operations   | —                  | —         | (0.01            | ) —       |
| Net income per basic share   | \$ 0.55            | \$ 0.54   | \$ 1.34          | \$ 1.23   |
| Diluted earnings per share:  |                    |           |                  |           |
| Income from continuing operations  | \$ 0.55            | \$ 0.53   | \$ 1.33          | \$ 1.21   |
| Income (loss) from discontinued operations   | —                  | —         | (0.01            | ) —       |
| Net income per diluted share   | \$ 0.55            | \$ 0.53   | \$ 1.32          | \$ 1.21   |

## Note 3 - Long-Term Debt

## Senior Unsecured Notes

On March 24, 2014, the Company completed the private offering of \$200,000,000 of 6.75% senior notes due on April 1, 2021 (the "Notes"). Interest on the Notes will be payable semi-annually in arrears on April 1 and October 1, commencing on October 1, 2014. The Notes were sold to the placement agents as initial purchasers for resale only to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and outside the United States in accordance with Regulation S under the Securities Act. The net proceeds from the sale of the Notes were approximately \$194,800,000. The Company used \$153,411,000 of the net proceeds from the offering to repay all amounts outstanding under the 2014 Credit Facility (defined below) and to pay off the remaining balances on notes payable related to previous pawn store acquisitions and approximately \$41,389,000 of the net proceeds were available for general corporate purposes. The Company capitalized approximately \$5,200,000 in issuance costs, which consisted primarily of placement agent fees and legal and other professional expenses. The issuance costs are being amortized over the life of the Notes as a component of interest expense.



The Notes are fully and unconditionally guaranteed on a senior unsecured basis jointly and severally by all of the Company's existing and future domestic subsidiaries that guarantee the 2014 Credit Facility. The Company may redeem the Notes at any time on or after April 1, 2017, at the redemption prices set forth in the indenture governing the Notes (the "Indenture"), plus accrued and unpaid interest, if any. Prior to April 1, 2017, the Company may redeem some or all of the Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus a "make-whole" premium set forth in the Indenture. The Company may also redeem up to 35% of the Notes prior to April 1, 2017, with the proceeds of certain equity offerings

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at a redemption price of 106.75% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any. In addition, upon a change of control, noteholders have the right to require the Company to purchase the Notes at a price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest, if any.

On March 24, 2014, the Company entered into a registration rights agreement with the initial purchasers of the Notes. Pursuant to the registration rights agreement, the Company agreed to use commercially reasonable efforts to issue in exchange for the Notes, generally no later than approximately 245 days following the closing date of the issuance and sale of the Notes, identical new notes that have been registered under the Securities Act. In certain circumstances, the Company may be required to file a shelf registration statement to cover resales of the Notes. If the Company does not comply with certain covenants set forth in the registration rights agreement, the Company may be required to pay liquidated damages to holders of the Notes. Pursuant to the registration rights agreement, the Company caused a registration statement on Form S-4 to be declared effective by the SEC in July 2014 and is currently conducting an offer to exchange the unregistered Notes with identical new notes registered under the Securities Act.

## Revolving Credit Facilities

During the period from January 1, 2014 through February 4, 2014, the Company maintained a revolving line of credit agreement with its lenders (the "2012 Credit Facility") in the amount of \$205,000,000, which was scheduled to mature in February 2015. The 2012 Credit Facility charged interest at the prevailing 30-day London Interbank Offered Rate ("LIBOR") plus a fixed spread of 2.0%.

On February 5, 2014, the Company entered into an agreement with a group of commercial lenders to establish a new revolving credit facility (the "2014 Credit Facility") in the amount of \$160,000,000 with an accordion feature whereby the facility may be increased up to an additional \$50,000,000 with the consent of any increasing or additional participating lenders. The Company used proceeds from the 2014 Credit Facility and available cash balances to retire and terminate the 2012 Credit Facility. The 2014 Credit Facility matures in February 2019 and bears interest, at the Company's option, at either (i) the prevailing LIBOR rate (with interest periods of 1, 2, 3 or 6 months at the Company's option) plus a fixed spread of 2.5% or (ii) the prevailing prime or base rate plus a fixed spread of 1.5%. The Company is required to maintain certain financial ratios and comply with certain financial covenants, including compliance with a leverage ratio of no greater than 2.5 times Consolidated EBITDA (as defined in the 2014 Credit Facility) and a fixed charge coverage ratio. The 2014 Credit Facility limits the Company's ability to incur additional indebtedness, subject to customary exceptions, including permitted additional unsecured debt so long as the aggregate principal amount of the loans and commitments under the 2014 Credit Facility plus such additional unsecured debt plus foreign third-party loans does not in the aggregate exceed \$500,000,000. The 2014 Credit Facility is unsecured except for the pledge of 65% of the voting equity interests of the Company's foreign subsidiaries, and the Company is restricted from pledging any of its other assets as collateral against other indebtedness. The 2014 Credit Facility is guaranteed by the Company's material U.S. operating subsidiaries. The 2014 Credit Facility allows the Company to repurchase shares of its stock and to pay cash dividends within certain parameters. The Company is required to pay an annual commitment fee of 0.50% on the average daily unused portion of the 2014 Credit Facility commitment. During March 2014, the Company used \$145,870,000 of the proceeds from the sale of the Notes to repay all amounts outstanding under the 2014 Credit Facility. At June 30, 2014, the Company had no amount outstanding under the 2014 Credit Facility and \$160,000,000 was available for borrowings.

## Other Notes Payable

In March 2014, the Company used \$7,541,000 of the proceeds from the sale of the Notes to repay the entire remaining balances on notes payable of \$6,134,000 related to a September 2012 multi-store acquisition and a note payable of \$1,407,000 related to a January 2012 multi-store acquisition.

Note 4 - Income Taxes

In July 2013, the Company terminated an election to include foreign subsidiaries in its consolidated U.S. federal income tax return and it is the Company's intent to indefinitely reinvest the earnings of these subsidiaries outside the U.S. Accordingly, under U.S. income tax law, as of December 31, 2013, the undistributed earnings of the foreign subsidiaries should not be subject to U.S. federal income taxes. The Company recognized an estimated non-recurring net income tax benefit of approximately \$3,979,000 in 2013 related primarily to changes in deferred tax assets and liabilities, net of certain one-time U.S. tax liabilities associated with the termination of the election. The Company recorded an additional benefit of \$3,669,000 in March 2014 as the result of a change in its estimated U.S. federal tax liability associated with the terminated election. The amount of the benefits could be subject to adjustment pending the preparation and filing of the Company's 2013 tax returns during 2014.

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Note 5 - Fair Value of Financial Instruments

The fair value of financial instruments is determined by reference to various market data and other valuation techniques, as appropriate. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels. The three levels are (from highest to lowest):

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

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

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

As cash and cash equivalents have maturities of less than three months, the carrying values of cash and cash equivalents approximate fair value (Level 1 of the fair value hierarchy). Due to their short-term maturities, pawn loans, consumer loans (net), pawn loan fees and service charges receivable approximate fair value (Level 3 of the fair value hierarchy).

The carrying value of the 2012 Credit Facility approximates fair value as of June 30, 2013 and December 31, 2013. The carrying value of the 2014 Credit Facility approximates fair value as of June 30, 2014. The fair value of the Notes was approximately \$214,000,000 as of June 30, 2014 compared to a carrying value of \$200,000,000. These fair values have been estimated based on discounted cash flow analyses using a discount rate representing the Company's estimate of the rate that would be used by market participants (Level 2 of the fair value hierarchy). Changes in assumptions or estimation methodologies may have a material effect on these estimated fair values.

Note 6 - Condensed Consolidating Guarantor Financial Statements

In connection with the issuance of the Notes, certain of the Company's domestic subsidiaries (collectively, "Guarantor Subsidiaries"), fully, unconditionally, jointly and severally guaranteed the payment obligations under the Notes. Each of the Guarantor Subsidiaries is 100% owned, directly or indirectly, by the Company. The following supplemental financial information sets forth, on a consolidating basis, the balance sheets, statements of comprehensive income and statements of cash flows of First Cash Financial Services, Inc. (the "Parent Company"), the Guarantor Subsidiaries and the Parent Company's other subsidiaries (the "Non-Guarantor Subsidiaries").

The supplemental condensed consolidating financial information has been prepared pursuant to SEC rules and regulations for interim condensed financial information and does not include the more complete disclosures included in annual financial statements. Investments in consolidated subsidiaries have been presented under the equity method of accounting. The principal eliminating entries eliminate investments in subsidiaries, intercompany balances and intercompany revenues and expenses. The condensed financial information may not necessarily be indicative of the results of operations or financial position had the Guarantor Subsidiaries or Non-Guarantor Subsidiaries operated as independent entities.

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## Condensed Consolidating Balance Sheet

June 30, 2014

(unaudited, in thousands)

|   | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Eliminations | Consolidated |
|---|-------------------|---------------------------|-------------------------------|-------------------------------|--------------|
| <b>ASSETS</b>                                 |                   |                           |                               |                               |              |
| Cash and cash equivalents                     | \$ 37,132         | \$ 2,555                  | \$ 44,368                     | \$ —                          | \$ 84,055    |
| Pawn loan fees and service charges receivable | —                 | 7,014                     | 10,794                        | —                             | 17,808       |
| Pawn loans                                    | —                 | 53,764                    | 70,137                        | —                             | 123,901      |
| Consumer loans, net                           | —                 | 665                       | 674                           | —                             | 1,339        |
| Inventories                                   | —                 | 30,115                    | 47,472                        | —                             | 77,587       |
| Prepaid expenses and other current assets     | 1,717             | —                         | 7                             | —                             | 1,724        |
| Deferred tax assets                           | 906               | —                         | 4,442                         | —                             | 5,348        |
| Total current assets                          | 39,755            | 94,113                    | 177,894                       | —                             | 311,762      |
| Property and equipment, net                   | 4,188             | 49,246                    | 59,054                        | —                             | 112,488      |
| Goodwill, net                                 | —                 | 152,981                   | 101,937                       | —                             | 254,918      |
| Other non-current assets                      | —                 | 11,380                    | 4,179                         | —                             | 15,559       |
| Deferred tax assets                           | —                 | —                         | 7,071                         | (7,071)                       | ) —          |
| Intercompany receivable                       | —                 | —                         | 165,480                       | (165,480)                     | ) —          |
| Investments in subsidiaries                   | 778,645           | —                         | —                             | (778,645)                     | ) —          |
| Total assets                                  | \$ 822,588        | \$ 307,720                | \$ 515,615                    | \$ (951,196)                  | ) \$ 694,727 |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                   |                           |                               |                               |              |
| Accounts payable and accrued liabilities      | \$ 14,689         | \$ 9,386                  | \$ 18,325                     | \$ —                          | \$ 42,400    |
| Total current liabilities                     | 14,689            | 9,386                     | 18,325                        | —                             | 42,400       |
| Senior unsecured notes                        | 200,000           | —                         | —                             | —                             | 200,000      |
| Deferred income tax liabilities               | 62                | 14,177                    | 2,802                         | (7,071)                       | ) 9,970      |
| Intercompany payable                          | 165,480           | —                         | —                             | (165,480)                     | ) —          |
| Total liabilities                             | 380,231           | 23,563                    | 21,127                        | (172,551)                     | ) 252,370    |
| Stockholders' equity:                         |                   |                           |                               |                               |              |
| Preferred stock                               | —                 | —                         | —                             | —                             | —            |
| Common stock                                  | 394               | —                         | —                             | —                             | 394          |
| Additional paid-in capital                    | 178,978           | —                         | —                             | —                             | 178,978      |
| Retained earnings                             | 529,289           | 284,157                   | 501,624                       | (778,645)                     | ) 536,425    |
| Accumulated other comprehensive income (loss) | (303)             | ) —                       | (7,136)                       | ) —                           | (7,439)      |
| Common stock held in treasury, at cost        | (266,001)         | ) —                       | —                             | —                             | (266,001)    |
| Total stockholders' equity                    | 442,357           | 284,157                   | 494,488                       | (778,645)                     | ) 442,357    |
| Total liabilities and stockholders' equity    | \$ 822,588        | \$ 307,720                | \$ 515,615                    | \$ (951,196)                  | ) \$ 694,727 |



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## Condensed Consolidating Balance Sheet

June 30, 2013

(unaudited, in thousands)

|   | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Eliminations | Consolidated |
|---|-------------------|---------------------------|-------------------------------|-------------------------------|--------------|
| <b>ASSETS</b>                                 |                   |                           |                               |                               |              |
| Cash and cash equivalents                     | \$ 8,478          | \$ 4,353                  | \$ 19,875                     | \$ —                          | \$ 32,706    |
| Pawn loan fees and service charges receivable | —                 | 7,350                     | 9,004                         | —                             | 16,354       |
| Pawn loans                                    | —                 | 53,611                    | 58,601                        | —                             | 112,212      |
| Consumer loans, net                           | —                 | 658                       | 846                           | —                             | 1,504        |
| Inventories                                   | —                 | 34,951                    | 47,054                        | —                             | 82,005       |
| Prepaid expenses and other current assets     | 1,351             | —                         | 9,692                         | (8,320)                       | ) 2,723      |
| Deferred tax assets                           | 1,148             | —                         | —                             | —                             | 1,148        |
| Total current assets                          | 10,977            | 100,923                   | 145,072                       | (8,320)                       | ) 248,652    |
| Property and equipment, net                   | 4,632             | 39,872                    | 53,230                        | —                             | 97,734       |
| Goodwill, net                                 | —                 | 148,596                   | 71,822                        | —                             | 220,418      |
| Other non-current assets                      | —                 | 5,449                     | 3,190                         | —                             | 8,639        |
| Deferred tax assets                           | —                 | —                         | 3,755                         | (3,755)                       | ) —          |
| Intercompany receivable                       | —                 | —                         | 141,568                       | (141,568)                     | ) —          |
| Investments in subsidiaries                   | 674,434           | —                         | —                             | (674,434)                     | ) —          |
| Total assets                                  | \$ 690,043        | \$ 294,840                | \$ 418,637                    | \$ (828,077)                  | ) \$ 575,443 |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                   |                           |                               |                               |              |
| Current portion of notes payable              | \$ 3,268          | \$ —                      | \$ —                          | \$ —                          | \$ 3,268     |
| Accounts payable and accrued liabilities      | 9,094             | 7,094                     | 15,571                        | —                             | 31,759       |
| Income taxes payable                          | 8,826             | —                         | —                             | (8,320)                       | ) 506        |
| Total current liabilities                     | 21,188            | 7,094                     | 15,571                        | (8,320)                       | ) 35,533     |
| Revolving unsecured credit facility           | 153,000           | —                         | —                             | —                             | 153,000      |
| Notes payable, net of current portion         | 6,704             | —                         | —                             | —                             | 6,704        |
| Deferred income tax liabilities               | 1,781             | 10,198                    | 6,180                         | (3,755)                       | ) 14,404     |
| Intercompany payable                          | 141,568           | —                         | —                             | (141,568)                     | ) —          |
| Total liabilities                             | 324,241           | 17,292                    | 21,751                        | (153,643)                     | ) 209,641    |
| Stockholders' equity:                         |                   |                           |                               |                               |              |
| Preferred stock                               | —                 | —                         | —                             | —                             | —            |
| Common stock                                  | 393               | —                         | —                             | —                             | 393          |
| Additional paid-in capital                    | 175,555           | —                         | —                             | —                             | 175,555      |
| Retained earnings                             | 442,760           | 277,548                   | 403,935                       | (674,434)                     | ) 449,809    |
| Accumulated other comprehensive income (loss) | (219)             | ) —                       | (7,049)                       | ) —                           | (7,268)      |
|   | (252,687)         | ) —                       | —                             | —                             | (252,687)    |

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Common stock held in treasury, at  
cost

|   |            |            |            |             |              |
|---|------------|------------|------------|-------------|--------------|
| Total stockholders' equity                    | 365,802    | 277,548    | 396,886    | (674,434    | ) 365,802    |
| Total liabilities and stockholders'<br>equity | \$ 690,043 | \$ 294,840 | \$ 418,637 | \$ (828,077 | ) \$ 575,443 |

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## Condensed Consolidating Balance Sheet

December 31, 2013

(unaudited, in thousands)

|   | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Eliminations | Consolidated |   |
|---|-------------------|---------------------------|-------------------------------|-------------------------------|--------------|---|
| <b>ASSETS</b>                                 |                   |                           |                               |                               |              |   |
| Cash and cash equivalents                     | \$ 24,674         | \$ 4,240                  | \$ 41,729                     | \$ —                          | \$ 70,643    |   |
| Pawn loan fees and service charges receivable | —                 | 7,934                     | 8,755                         | —                             | 16,689       |   |
| Pawn loans                                    | —                 | 56,566                    | 58,668                        | —                             | 115,234      |   |
| Consumer loans, net                           | —                 | 694                       | 756                           | —                             | 1,450        |   |
| Inventories                                   | —                 | 33,817                    | 43,976                        | —                             | 77,793       |   |
| Prepaid expenses and other current assets     | 1,971             | —                         | 1,398                         | —                             | 3,369        |   |
| Deferred tax assets                           | 907               | —                         | 4,137                         | —                             | 5,044        |   |
| Total current assets                          | 27,552            | 103,251                   | 159,419                       | —                             | 290,222      |   |
| Property and equipment, net                   | 4,155             | 47,374                    | 56,608                        | —                             | 108,137      |   |
| Goodwill, net                                 | —                 | 149,470                   | 101,771                       | —                             | 251,241      |   |
| Other non-current assets                      | —                 | 6,020                     | 3,353                         | —                             | 9,373        |   |
| Deferred tax assets                           | —                 | —                         | 6,943                         | (6,943                        | ) —          |   |
| Intercompany receivable                       | —                 | —                         | 156,794                       | (156,794                      | ) —          |   |
| Investments in subsidiaries                   | 751,785           | —                         | —                             | (751,785                      | ) —          |   |
| Total assets                                  | \$ 783,492        | \$ 306,115                | \$ 484,888                    | \$ (915,522                   | ) \$ 658,973 |   |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                   |                           |                               |                               |              |   |
| Current portion of notes payable              | \$ 3,326          | \$ —                      | \$ —                          | \$ —                          | \$ 3,326     |   |
| Accounts payable and accrued liabilities      | 13,804            | 6,942                     | 17,277                        | —                             | 38,023       |   |
| Income taxes payable                          | 7,302             | —                         | 110                           | —                             | 7,412        |   |
| Total current liabilities                     | 24,432            | 6,942                     | 17,387                        | —                             | 48,761       |   |
| Revolving unsecured credit facility           | 182,000           | —                         | —                             | —                             | 182,000      |   |
| Notes payable, net of current portion         | 5,026             | —                         | —                             | —                             | 5,026        |   |
| Deferred income tax liabilities               | 881               | 10,080                    | 4,809                         | (6,943                        | ) 8,827      |   |
| Intercompany payable                          | 156,794           | —                         | —                             | (156,794                      | ) —          |   |
| Total liabilities                             | 369,133           | 17,022                    | 22,196                        | (163,737                      | ) 244,614    |   |
| Stockholders' equity:                         |                   |                           |                               |                               |              |   |
| Preferred stock                               | —                 | —                         | —                             | —                             | —            |   |
| Common stock                                  | 394               | —                         | —                             | —                             | 394          |   |
| Additional paid-in capital                    | 176,675           | —                         | —                             | —                             | 176,675      |   |
| Retained earnings                             | 490,280           | 289,093                   | 470,140                       | (751,785                      | ) 497,728    |   |
| Accumulated other comprehensive income (loss) | (303              | ) —                       | (7,448                        | ) —                           | (7,751       | ) |
|   | (252,687          | ) —                       | —                             | —                             | (252,687     | ) |

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Common stock held in treasury, at  
cost

|   |            |            |            |             |              |
|---|------------|------------|------------|-------------|--------------|
| Total stockholders' equity                    | 414,359    | 289,093    | 462,692    | (751,785    | ) 414,359    |
| Total liabilities and stockholders'<br>equity | \$ 783,492 | \$ 306,115 | \$ 484,888 | \$ (915,522 | ) \$ 658,973 |

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Condensed Consolidating Statement of Comprehensive Income  
 Three Months Ended June 30, 2014  
 (unaudited, in thousands)

|  | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Eliminations | Consolidated |   |
|--|-------------------|---------------------------|-------------------------------|-------------------------------|--------------|---|
| Revenue:   |                   |                           |                               |                               |              |   |
| Retail merchandise sales                                       | \$—               | \$31,258                  | \$65,930                      | \$—                           | \$97,188     |   |
| Pawn loan fees   | —                 | 17,677                    | 29,878                        | —                             | 47,555       |   |
| Consumer loan and credit services fees                         | —                 | 7,565                     | 851                           | —                             | 8,416        |   |
| Wholesale scrap jewelry revenue                                | —                 | 6,031                     | 6,136                         | —                             | 12,167       |   |
| Total revenue  | —                 | 62,531                    | 102,795                       | —                             | 165,326      |   |
| Cost of revenue:   |                   |                           |                               |                               |              |   |
| Cost of retail merchandise sold                                | —                 | 17,264                    | 41,829                        | —                             | 59,093       |   |
| Consumer loan and credit services loss provision               | —                 | 2,052                     | 184                           | —                             | 2,236        |   |
| Cost of wholesale scrap jewelry sold                           | —                 | 5,053                     | 5,023                         | —                             | 10,076       |   |
| Total cost of revenue  | —                 | 24,369                    | 47,036                        | —                             | 71,405       |   |
| Net revenue  | —                 | 38,162                    | 55,759                        | —                             | 93,921       |   |
| Expenses and other income:                                     |                   |                           |                               |                               |              |   |
| Store operating expenses                                       | —                 | 20,082                    | 28,852                        | —                             | 48,934       |   |
| Administrative expenses  | 5,773             | —                         | 7,842                         | —                             | 13,615       |   |
| Depreciation and amortization                                  | 273               | 1,339                     | 2,713                         | —                             | 4,325        |   |
| Interest expense   | 3,910             | —                         | —                             | —                             | 3,910        |   |
| Interest income  | 6                 | (25                       | ) (243                        | ) —                           | (262         | ) |
| Total expenses and other income                                | 9,962             | 21,396                    | 39,164                        | —                             | 70,522       |   |
| Income (loss) from continuing operations before income taxes   | (9,962            | ) 16,766                  | 16,595                        | —                             | 23,399       |   |
| Provision for income taxes                                     | (1,283            | ) 5,868                   | 2,799                         | —                             | 7,384        |   |
| Income (loss) from continuing operations                       | (8,679            | ) 10,898                  | 13,796                        | —                             | 16,015       |   |
| Income (loss) from discontinued operations, net of tax         | —                 | —                         | —                             | —                             | —            |   |
| Net income (loss)  | \$(8,679          | ) \$10,898                | \$13,796                      | \$—                           | \$16,015     |   |
| Other comprehensive income (loss):                             |                   |                           |                               |                               |              |   |
| Currency translation adjustment, net of tax expense or benefit | 567               | —                         | —                             | —                             | 567          |   |
| Comprehensive income (loss)                                    | \$(8,112          | ) \$10,898                | \$13,796                      | \$—                           | \$16,582     |   |



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Condensed Consolidating Statement of Comprehensive Income  
 Three Months Ended June 30, 2013  
 (unaudited, in thousands)

|  | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Eliminations | Consolidated |   |
|--|-------------------|---------------------------|-------------------------------|-------------------------------|--------------|---|
| <b>Revenue:</b>  |                   |                           |                               |                               |              |   |
| Retail merchandise sales                                       | \$—               | \$25,217                  | \$58,683                      | \$—                           | \$83,900     |   |
| Pawn loan fees   | —                 | 15,484                    | 27,568                        | —                             | 43,052       |   |
| Consumer loan and credit services fees                         | —                 | 9,036                     | 1,049                         | —                             | 10,085       |   |
| Wholesale scrap jewelry revenue                                | —                 | 795                       | 4,522                         | —                             | 5,317        |   |
| Total revenue  | —                 | 50,532                    | 91,822                        | —                             | 142,354      |   |
| <b>Cost of revenue:</b>  |                   |                           |                               |                               |              |   |
| Cost of retail merchandise sold                                | —                 | 14,374                    | 36,718                        | —                             | 51,092       |   |
| Consumer loan and credit services loss provision               | —                 | 2,336                     | 179                           | —                             | 2,515        |   |
| Cost of wholesale scrap jewelry sold                           | —                 | 661                       | 3,939                         | —                             | 4,600        |   |
| Total cost of revenue  | —                 | 17,371                    | 40,836                        | —                             | 58,207       |   |
| Net revenue  | —                 | 33,161                    | 50,986                        | —                             | 84,147       |   |
| <b>Expenses and other income:</b>                              |                   |                           |                               |                               |              |   |
| Store operating expenses                                       | —                 | 21,229                    | 22,079                        | —                             | 43,308       |   |
| Administrative expenses  | 8,720             | —                         | 4,044                         | —                             | 12,764       |   |
| Depreciation and amortization                                  | 285               | 1,118                     | 2,330                         | —                             | 3,733        |   |
| Interest expense   | 633               | —                         | —                             | —                             | 633          |   |
| Interest income  | (1                | ) —                       | (50                           | ) —                           | (51          | ) |
| Total expenses and other income                                | 9,637             | 22,347                    | 28,403                        | —                             | 60,387       |   |
| Income (loss) from continuing operations before income taxes   | (9,637            | ) 10,814                  | 22,583                        | —                             | 23,760       |   |
| Provision for income taxes                                     | (2,879            | ) 3,893                   | 7,092                         | —                             | 8,106        |   |
| Income (loss) from continuing operations                       | (6,758            | ) 6,921                   | 15,491                        | —                             | 15,654       |   |
| Income (loss) from discontinued operations, net of tax         | —                 | —                         | 9                             | —                             | 9            |   |
| Net income (loss)  | \$(6,758          | ) \$6,921                 | \$15,500                      | \$—                           | \$15,663     |   |
| <b>Other comprehensive income (loss):</b>                      |                   |                           |                               |                               |              |   |
| Currency translation adjustment, net of tax expense or benefit | (6,559            | ) —                       | —                             | —                             | (6,559       | ) |
| Comprehensive income (loss)                                    | \$(13,317         | ) \$6,921                 | \$15,500                      | \$—                           | \$9,104      |   |



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Condensed Consolidating Statement of Comprehensive Income  
Six Months Ended June 30, 2014  
(unaudited, in thousands)

|  | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Eliminations | Consolidated |   |
|--|-------------------|---------------------------|-------------------------------|-------------------------------|--------------|---|
| <b>Revenue:</b>  |                   |                           |                               |                               |              |   |
| Retail merchandise sales                                       | \$—               | \$ 68,616                 | \$ 127,280                    | \$—                           | \$ 195,896   |   |
| Pawn loan fees   | —                 | 37,143                    | 58,050                        | —                             | 95,193       |   |
| Consumer loan and credit services fees                         | —                 | 16,528                    | 1,672                         | —                             | 18,200       |   |
| Wholesale scrap jewelry revenue                                | —                 | 13,538                    | 12,276                        | —                             | 25,814       |   |
| Total revenue  | —                 | 135,825                   | 199,278                       | —                             | 335,103      |   |
| <b>Cost of revenue:</b>  |                   |                           |                               |                               |              |   |
| Cost of retail merchandise sold                                | —                 | 38,400                    | 81,183                        | —                             | 119,583      |   |
| Consumer loan and credit services loss provision               | —                 | 3,617                     | 362                           | —                             | 3,979        |   |
| Cost of wholesale scrap jewelry sold                           | —                 | 11,172                    | 9,992                         | —                             | 21,164       |   |
| Total cost of revenue  | —                 | 53,189                    | 91,537                        | —                             | 144,726      |   |
| Net revenue  | —                 | 82,636                    | 107,741                       | —                             | 190,377      |   |
| <b>Expenses and other income:</b>                              |                   |                           |                               |                               |              |   |
| Store operating expenses                                       | —                 | 41,269                    | 56,157                        | —                             | 97,426       |   |
| Administrative expenses  | 12,824            | —                         | 14,120                        | —                             | 26,944       |   |
| Depreciation and amortization                                  | 563               | 2,789                     | 5,245                         | —                             | 8,597        |   |
| Interest expense   | 5,346             | —                         | —                             | —                             | 5,346        |   |
| Interest income  | (23               | ) —                       | (320                          | ) —                           | (343         | ) |
| Total expenses and other income                                | 18,710            | 44,058                    | 75,202                        | —                             | 137,970      |   |
| Income (loss) from continuing operations before income taxes   | (18,710           | ) 38,578                  | 32,539                        | —                             | 52,407       |   |
| Provision for income taxes                                     | (7,780            | ) 13,502                  | 7,716                         | —                             | 13,438       |   |
| Income (loss) from continuing operations                       | (10,930           | ) 25,076                  | 24,823                        | —                             | 38,969       |   |
| Income (loss) from discontinued operations, net of tax         | —                 | —                         | (272                          | ) —                           | (272         | ) |
| Net income (loss)  | \$ (10,930        | ) \$ 25,076               | \$ 24,551                     | \$—                           | \$ 38,697    |   |
| <b>Other comprehensive income (loss):</b>                      |                   |                           |                               |                               |              |   |
| Currency translation adjustment, net of tax expense or benefit | 312               | —                         | —                             | —                             | 312          |   |
| Comprehensive income (loss)                                    | \$ (10,618        | ) \$ 25,076               | \$ 24,551                     | \$—                           | \$ 39,009    |   |





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Condensed Consolidating Statement of Comprehensive Income  
Six Months Ended June 30, 2013  
(unaudited, in thousands)

|  | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Eliminations | Consolidated |   |
|--|-------------------|---------------------------|-------------------------------|-------------------------------|--------------|---|
| <b>Revenue:</b>  |                   |                           |                               |                               |              |   |
| Retail merchandise sales                                       | \$—               | \$ 54,157                 | \$ 111,513                    | \$—                           | \$ 165,670   |   |
| Pawn loan fees   | —                 | 32,298                    | 53,905                        | —                             | 86,203       |   |
| Consumer loan and credit services fees                         | —                 | 19,777                    | 2,075                         | —                             | 21,852       |   |
| Wholesale scrap jewelry revenue                                | —                 | 13,519                    | 15,022                        | —                             | 28,541       |   |
| Total revenue  | —                 | 119,751                   | 182,515                       | —                             | 302,266      |   |
| <b>Cost of revenue:</b>  |                   |                           |                               |                               |              |   |
| Cost of retail merchandise sold                                | —                 | 29,568                    | 69,563                        | —                             | 99,131       |   |
| Consumer loan and credit services loss provision               | —                 | 4,325                     | 299                           | —                             | 4,624        |   |
| Cost of wholesale scrap jewelry sold                           | —                 | 10,418                    | 12,686                        | —                             | 23,104       |   |
| Total cost of revenue  | —                 | 44,311                    | 82,548                        | —                             | 126,859      |   |
| Net revenue  | —                 | 75,440                    | 99,967                        | —                             | 175,407      |   |
| <b>Expenses and other income:</b>                              |                   |                           |                               |                               |              |   |
| Store operating expenses                                       | —                 | 39,303                    | 46,810                        | —                             | 86,113       |   |
| Administrative expenses  | 17,931            | —                         | 7,925                         | —                             | 25,856       |   |
| Depreciation and amortization                                  | 562               | 2,248                     | 4,548                         | —                             | 7,358        |   |
| Interest expense   | 1,352             | —                         | —                             | —                             | 1,352        |   |
| Interest income  | (4                | ) —                       | (194                          | ) —                           | (198         | ) |
| Total expenses and other income                                | 19,841            | 41,551                    | 59,089                        | —                             | 120,481      |   |
| Income (loss) from continuing operations before income taxes   | (19,841           | ) 33,889                  | 40,878                        | —                             | 54,926       |   |
| Provision for income taxes                                     | (5,841            | ) 12,200                  | 12,733                        | —                             | 19,092       |   |
| Income (loss) from continuing operations                       | (14,000           | ) 21,689                  | 28,145                        | —                             | 35,834       |   |
| Income (loss) from discontinued operations, net of tax         | —                 | —                         | 93                            | —                             | 93           |   |
| Net income (loss)  | \$ (14,000        | ) \$ 21,689               | \$ 28,238                     | \$—                           | \$ 35,927    |   |
| <b>Other comprehensive income (loss):</b>                      |                   |                           |                               |                               |              |   |
| Currency translation adjustment, net of tax expense or benefit | (328              | ) —                       | —                             | —                             | (328         | ) |
| Comprehensive income (loss)                                    | \$ (14,328        | ) \$ 21,689               | \$ 28,238                     | \$—                           | \$ 35,599    |   |



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Condensed Consolidating Statement of Cash Flows  
Six Months Ended June 30, 2014  
(unaudited, in thousands)

|   | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Eliminations | Consolidated |
|---|-------------------|---------------------------|-------------------------------|-------------------------------|--------------|
| Cash flow from operating activities:                      |                   |                           |                               |                               |              |
| Net cash flow provided by operating activities            | \$ 13,443         | \$ 2,883                  | \$ 32,614                     | \$—                           | \$ 48,940    |
| Cash flow from investing activities:                      |                   |                           |                               |                               |              |
| Loan receivables, net of cash repayments                  | —                 | 5,966                     | (13,924                       | ) —                           | (7,958       |
| Purchases of property and equipment                       | (596              | ) (4,145                  | ) (7,318                      | ) —                           | (12,059      |
| Acquisitions of pawn stores, net of cash acquired         | —                 | (6,389                    | ) —                           | —                             | (6,389       |
| Investing activity with subsidiaries                      | 8,686             | —                         | (8,686                        | ) —                           | —            |
| Net cash flow provided by (used in) investing activities  | 8,090             | (4,568                    | ) (29,928                     | ) —                           | (26,406      |
| Cash flow from financing activities:                      |                   |                           |                               |                               |              |
| Borrowings from revolving credit facilities               | 2,500             | —                         | —                             | —                             | 2,500        |
| Repayments of revolving credit facilities                 | (184,500          | ) —                       | —                             | —                             | (184,500     |
| Repayments of notes payable                               | (8,352            | ) —                       | —                             | —                             | (8,352       |
| Issuance of senior unsecured notes                        | 200,000           | —                         | —                             | —                             | 200,000      |
| Debt issuance costs paid                                  | (6,798            | ) —                       | —                             | —                             | (6,798       |
| Purchases of treasury stock                               | (13,314           | ) —                       | —                             | —                             | (13,314      |
| Proceeds from exercise of share-based compensation awards | 712               | —                         | —                             | —                             | 712          |
| Income tax benefit from exercise of stock options         | 677               | —                         | —                             | —                             | 677          |
| Net cash flow used in financing activities                | (9,075            | ) —                       | —                             | —                             | (9,075       |
| Effect of exchange rates on cash                          | —                 | —                         | (47                           | ) —                           | (47          |
| Change in cash and cash equivalents                       | 12,458            | (1,685                    | ) 2,639                       | —                             | 13,412       |
| Cash and cash equivalents at beginning of the period      | 24,674            | 4,240                     | 41,729                        | —                             | 70,643       |
| Cash and cash equivalents at end of the period            | \$ 37,132         | \$ 2,555                  | \$ 44,368                     | \$—                           | \$ 84,055    |

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Condensed Consolidating Statement of Cash Flows  
Six Months Ended June 30, 2013  
(unaudited, in thousands)

|   | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Eliminations | Consolidated |   |
|---|-------------------|---------------------------|-------------------------------|-------------------------------|--------------|---|
| Cash flow from operating activities:                      |                   |                           |                               |                               |              |   |
| Net cash flow provided by (used in) operating activities  | \$ (51,135        | ) \$ 74,077               | \$ 22,105                     | \$—                           | \$ 45,047    |   |
| Cash flow from investing activities:                      |                   |                           |                               |                               |              |   |
| Loan receivables, net of cash repayments                  | —                 | (1,637                    | ) (5,725                      | ) —                           | (7,362       | ) |
| Purchases of property and equipment                       | (1,462            | ) (1,956                  | ) (6,956                      | ) —                           | (10,374      | ) |
| Acquisitions of pawn stores, net of cash acquired         | —                 | (70,016                   | ) (1,485                      | ) —                           | (71,501      | ) |
| Investing activity with subsidiaries                      | 23,073            | —                         | (23,073                       | ) —                           | —            |   |
| Net cash flow provided by (used in) investing activities  | 21,611            | (73,609                   | ) (37,239                     | ) —                           | (89,237      | ) |
| Cash flow from financing activities:                      |                   |                           |                               |                               |              |   |
| Borrowings from revolving credit facilities               | 116,600           | —                         | —                             | —                             | 116,600      |   |
| Repayments of revolving credit facilities                 | (66,100           | ) —                       | —                             | —                             | (66,100      | ) |
| Repayments of notes payable                               | (1,591            | ) —                       | —                             | —                             | (1,591       | ) |
| Purchases of treasury stock                               | (38,692           | ) —                       | —                             | —                             | (38,692      | ) |
| Proceeds from exercise of share-based compensation awards | 8,422             | —                         | —                             | —                             | 8,422        |   |
| Income tax benefit from exercise of stock options         | 7,218             | —                         | —                             | —                             | 7,218        |   |
| Net cash flow provided by financing activities            | 25,857            | —                         | —                             | —                             | 25,857       |   |
| Effect of exchange rates on cash                          | —                 | —                         | 754                           | —                             | 754          |   |
| Change in cash and cash equivalents                       | (3,667            | ) 468                     | (14,380                       | ) —                           | (17,579      | ) |
| Cash and cash equivalents at beginning of the period      | 12,145            | 3,885                     | 34,255                        | —                             | 50,285       |   |
| Cash and cash equivalents at end of the period            | \$ 8,478          | \$ 4,353                  | \$ 19,875                     | \$—                           | \$ 32,706    |   |

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of financial condition, results of operations, liquidity and capital resources of First Cash Financial Services, Inc. and its wholly-owned subsidiaries (the "Company") should be read in conjunction with the Company's condensed consolidated financial statements and accompanying notes included under Part I, Item 1 of this quarterly report on Form 10-Q, as well as with Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's annual report on Form 10-K for the year ended December 31, 2013. References in this quarterly report on Form 10-Q to "year-to-date" refer to the six-month period from January 1, 2014, to June 30, 2014.

GENERAL

The Company is a leading operator of retail-based pawn stores in the United States and Mexico. The Company's pawn stores generate significant retail sales from the merchandise acquired through collateral forfeitures and over-the-counter purchases from customers. The Company's pawn stores are also a convenient source for small consumer loans to help customers meet their short-term cash needs. Personal property such as consumer electronics, jewelry, power tools, sporting goods and musical instruments are pledged as collateral for the loans. In addition, some of the Company's pawn stores offer consumer loans or credit services products. The Company's strategy is to focus on growing its retail-based pawn operations in the United States and Mexico through new store openings and acquisition opportunities as they arise.

Pawn operations accounted for approximately 95% of the Company's consolidated revenue from continuing operations during the six months ended June 30, 2014 compared to 93% during the six months ended June 30, 2013. The Company's pawn revenue is derived primarily from merchandise sales of forfeited pawn collateral and used goods purchased directly from the general public. The Company accrues pawn loan fee revenue on a constant-yield basis over the life of the pawn loan for all pawn loans that the Company deems collection to be probable based on historical redemption statistics. If a pawn loan is not repaid prior to the expiration of the loan term, including any automatic extension period, if applicable, the property is forfeited to the Company and transferred to inventory at a value equal to the principal amount of the loan, exclusive of accrued interest.

The Company operates a small number of stand-alone consumer finance stores in Texas and Mexico. These stores provide consumer financial services products including credit services, consumer loans and check cashing. Certain of the Company's pawn stores also offer credit services and/or consumer loans as an ancillary product. Consumer loan and credit services revenue accounted for approximately 5% of consolidated revenue from continuing operations during the six months ended June 30, 2014 compared to 7% during the six months ended June 30, 2013, and was derived primarily from credit services fees. The Company recognizes service fee income on consumer loans and credit services transactions on a constant-yield basis over the life of the loan or credit extension, which is generally 180 days or less. The net defaults on consumer loans and credit services transactions and changes in the valuation reserve are charged to the consumer loan credit loss provision. The credit loss provision associated with the Company's credit services organization ("CSO Program") and consumer loans are based primarily upon historical credit loss experience, with consideration given to recent credit loss trends, delinquency rates, economic conditions and management's expectations of future credit losses. For an additional discussion of the credit loss provision and related allowances and accruals, see "—Results of Continuing Operations."

Stores included in the same-store revenue calculations presented in this quarterly report are those stores that were opened prior to the beginning of the prior-year comparative period and remained open through the end of the measurement period. Also included are stores that were relocated during the year within a specified distance serving the same market where there is not a significant change in store size and where there is not a significant overlap or gap

in timing between the opening of the new store and the closing of the existing store. Unless otherwise stated, non-retail sales of scrap jewelry are included in same-store revenue calculations.

Operating expenses consist of all items directly related to the operation of the Company's stores, including salaries and related payroll costs, rent, utilities, equipment, advertising, property taxes, licenses, supplies and security.

Administrative expenses consist of items relating to the operation of the corporate offices, including the compensation and benefit costs of corporate management, area supervisors and other operations management personnel, collections operations and personnel, accounting and administrative costs, information technology costs, liability and casualty insurance, outside legal and accounting fees and stockholder-related expenses.

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The Company's business is subject to seasonal variations and operating results for the current quarter and year-to-date periods are not necessarily indicative of the results of operations for the full year. Typically, the Company experiences seasonal growth of service fees in the third and fourth quarter of each year due to loan balance growth that occurs after the heavy repayment period of pawn loans in the fourth quarter in Mexico, which is associated with statutory year-end Christmas bonuses paid by employers, and in the first quarter in the United States, which is associated with tax refund proceeds received by customers. Retail sales are seasonally higher in the fourth quarter associated with holiday shopping.

## OPERATIONS AND LOCATIONS

The Company has operations in the United States and Mexico. For the three months ended June 30, 2014, approximately 56% of total revenue was generated from Mexico and 44% from the United States. Year-to-date, 53% of revenue was generated from Mexico and 47% from the United States.

As of June 30, 2014, the Company had 926 store locations in 12 U.S. states and 27 states in Mexico, which represents a net store-count increase of 7% over the trailing twelve months. The Company had net store growth of 11 locations, with a total of 13 new store locations added during the second quarter of 2014. Year-to-date, the Company had net store growth of 20 locations, with a total of 25 new store locations added.

The following table details store openings for the three months ended June 30, 2014:

|                                      | Pawn Locations      |                     | Consumer              | Total<br>Locations |
|--------------------------------------|---------------------|---------------------|-----------------------|--------------------|
|                                      | Large<br>Format (1) | Small<br>Format (2) | Loan<br>Locations (3) |                    |
| Domestic:                            |                     |                     |                       |                    |
| Total locations, beginning of period | 229                 | 24                  | 57                    | 310                |
| New locations opened                 | 1                   | —                   | —                     | 1                  |
| Locations closed or consolidated     | —                   | (1                  | ) —                   | (1                 |
| Total locations, end of period       | 230                 | 23                  | 57                    | 310                |
| International:                       |                     |                     |                       |                    |
| Total locations, beginning of period | 560                 | 17                  | 28                    | 605                |
| New locations opened                 | 12                  | —                   | —                     | 12                 |
| Locations closed or consolidated     | (1                  | ) —                 | —                     | (1                 |
| Total locations, end of period       | 571                 | 17                  | 28                    | 616                |
| Total:                               |                     |                     |                       |                    |
| Total locations, beginning of period | 789                 | 41                  | 85                    | 915                |
| New locations opened                 | 13                  | —                   | —                     | 13                 |
| Locations closed or consolidated     | (1                  | ) (1                | ) —                   | (2                 |
| Total locations, end of period       | 801                 | 40                  | 85                    | 926                |

The large format locations include retail showrooms and accept a broad array of pawn collateral including (1) consumer electronics, appliances, power tools, jewelry and other general merchandise items. At June 30, 2014, 122 of the U.S. large format pawn stores also offered consumer loans or credit services products.

(2) The small format locations typically have limited retail operations and primarily accept jewelry and small electronic items as pawn collateral and also offer consumer loans or credit services products.

The Company's U.S. free-standing, small format consumer loan locations offer a credit services product and are all (3) located in Texas. The Mexico locations offer small, short-term consumer loans. The Company's credit services operations also include an internet distribution channel for customers residing in the state of Texas.



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The following table details store openings for the six months ended June 30, 2014:

|                                      | Pawn Locations      |                     | Consumer              | Total |
|--------------------------------------|---------------------|---------------------|-----------------------|-------|
|                                      | Large<br>Format (1) | Small<br>Format (2) | Loan<br>Locations (3) |       |
| <b>Domestic:</b>                     |                     |                     |                       |       |
| Total locations, beginning of period | 227                 | 25                  | 57                    | 309   |
| New locations opened                 | 3                   | 1                   | —                     | 4     |
| Locations acquired                   | 1                   | —                   | —                     | 1     |
| Store format conversions             | 1                   | (1                  | ) —                   | —     |
| Locations closed or consolidated     | (2                  | ) (2                | ) —                   | (4    |
| Total locations, end of period       | 230                 | 23                  | 57                    | 310   |
| <b>International:</b>                |                     |                     |                       |       |
| Total locations, beginning of period | 552                 | 17                  | 28                    | 597   |
| New locations opened                 | 20                  | —                   | —                     | 20    |
| Locations closed or consolidated     | (1                  | ) —                 | —                     | (1    |
| Total locations, end of period       | 571                 | 17                  | 28                    | 616   |
| <b>Total:</b>                        |                     |                     |                       |       |
| Total locations, beginning of period | 779                 | 42                  | 85                    | 906   |
| New locations opened                 | 23                  | 1                   | —                     | 24    |
| Locations acquired                   | 1                   | —                   | —                     | 1     |
| Store format conversions             | 1                   | (1                  | ) —                   | —     |
| Locations closed or consolidated     | (3                  | ) (2                | ) —                   | (5    |
| Total locations, end of period       | 801                 | 40                  | 85                    | 926   |

The large format locations include retail showrooms and accept a broad array of pawn collateral including (1) consumer electronics, appliances, power tools, jewelry and other general merchandise items. At June 30, 2014, 122 of the U.S. large format pawn stores also offered consumer loans or credit services products.

(2) The small format locations typically have limited retail operations and primarily accept jewelry and small electronic items as pawn collateral and also offer consumer loans or credit services products.

The Company's U.S. free-standing, small format consumer loan locations offer a credit services product and are all (3) located in Texas. The Mexico locations offer small, short-term consumer loans. The Company's credit services operations also include an internet distribution channel for customers residing in the state of Texas.

**CRITICAL ACCOUNTING POLICIES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, related revenue and expenses, and disclosure of gain and loss contingencies at the date of the financial statements. Such estimates, assumptions and judgments are subject to a number of risks and uncertainties, which may cause actual results to differ materially from the Company's estimates. The significant accounting policies that the Company believes are the most critical to aid in fully understanding and evaluating its reported financial results have been reported in the Company's 2013 annual report on Form 10-K. There have been no changes to the Company's significant accounting policies for the six months ended June 30, 2014.

Recent Accounting Pronouncements

There were no recent accounting pronouncements that had a material effect on the Company's financial position, results of operations or financial statement disclosures.

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## RESULTS OF CONTINUING OPERATIONS

## Three Months Ended June 30, 2014 Compared To The Three Months Ended June 30, 2013

The following table details the components of the Company's revenue for the three months ended June 30, 2014 as compared to the three months ended June 30, 2013 (unaudited, in thousands). Constant currency results exclude the effects of foreign currency translation and are calculated by translating current-year results at prior-year average exchange rates. The average value of the Mexican peso to the U.S. dollar decreased 4%, from 12.5 to 1 during the second quarter of 2013 to 13.0 to 1 during the second quarter of 2014. The end-of-period value of the Mexican peso to the U.S. dollar was 13.0 to 1 at June 30, 2013 and June 30, 2014. As a result of these currency exchange movements, revenue from Mexican operations translated into fewer U.S. dollars relative to the prior-year period. While the weakening of the Mexican peso decreased the translated dollar-value of revenue, the cost of sales and operating expenses decreased as well. The scrap jewelry generated in Mexico is exported and sold in U.S. dollars, which does not contribute to the Company's peso-denominated earnings stream. See “—Non-GAAP Financial Information—Constant Currency Results” below.

|  | Three Months Ended<br>June 30, |            | Increase/(Decrease) |      | Increase/(Decrease)<br>Constant Currency<br>Basis |      |    |
|--|--------------------------------|------------|---------------------|------|---|------|----|
|  | 2014                           | 2013       |                     |      |   |      |    |
| Domestic revenue:                      |                                |            |                     |      |   |      |    |
| Retail merchandise sales               | \$ 37,877                      | \$ 29,094  | \$ 8,783            | 30   | %   | 30   | %  |
| Pawn loan fees                         | 20,381                         | 17,209     | 3,172               | 18   | %   | 18   | %  |
| Consumer loan and credit services fees | 7,710                          | 9,177      | (1,467)             | (16) | )%  | (16) | )% |
| Wholesale scrap jewelry revenue        | 6,865                          | 1,556      | 5,309               | 341  | %   | 341  | %  |
|  | 72,833                         | 57,036     | 15,797              | 28   | %   | 28   | %  |
| International revenue:                 |                                |            |                     |      |   |      |    |
| Retail merchandise sales               | 59,311                         | 54,806     | 4,505               | 8    | %   | 13   | %  |
| Pawn loan fees                         | 27,174                         | 25,843     | 1,331               | 5    | %   | 10   | %  |
| Consumer loan and credit services fees | 706                            | 908        | (202)               | (22) | )%  | (19) | )% |
| Wholesale scrap jewelry revenue        | 5,302                          | 3,761      | 1,541               | 41   | %   | 41   | %  |
|  | 92,493                         | 85,318     | 7,175               | 8    | %   | 13   | %  |
| Total revenue:                         |                                |            |                     |      |   |      |    |
| Retail merchandise sales               | 97,188                         | 83,900     | 13,288              | 16   | %   | 19   | %  |
| Pawn loan fees                         | 47,555                         | 43,052     | 4,503               | 10   | %   | 13   | %  |
| Consumer loan and credit services fees | 8,416                          | 10,085     | (1,669)             | (17) | )%  | (16) | )% |
| Wholesale scrap jewelry revenue        | 12,167                         | 5,317      | 6,850               | 129  | %   | 129  | %  |
|  | \$ 165,326                     | \$ 142,354 | \$ 22,972           | 16   | %   | 19   | %  |

Domestic revenue accounted for approximately 44% of the total revenue for the current quarter, while international revenue (from Mexico) accounted for 56% of total revenue for the same period.

The following table details customer loans and inventories held by the Company and active CSO Program credit extensions from an independent third-party lender as of June 30, 2014 as compared to June 30, 2013 (unaudited, in thousands). Constant currency results exclude the effects of foreign currency translation and are calculated by translating current-year balances at the prior-year end-of-period exchange rate.

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|   | Balance at June 30, |            | Increase/(Decrease) |      | Increase/(Decrease)<br>Constant Currency<br>Basis |      |    |
|---|---------------------|------------|---------------------|------|---|------|----|
|   | 2014                | 2013       |                     |      |   |      |    |
| Domestic:   |                     |            |                     |      |   |      |    |
| Pawn loans  | \$ 63,000           | \$ 58,887  | \$ 4,113            | 7    | %   | 7    | %  |
| CSO credit extensions held by independent third-party (1) | 10,258              | 11,055     | (797)               | (7)  | )%  | (7)  | )% |
| Other consumer loans                                      | 772                 | 769        | 3                   | —    | %   | —    | %  |
|   | 74,030              | 70,711     | 3,319               | 5    | %   | 5    | %  |
| International:  |                     |            |                     |      |   |      |    |
| Pawn loans  | 60,901              | 53,325     | 7,576               | 14   | %   | 14   | %  |
| Other consumer loans                                      | 567                 | 735        | (168)               | (23) | )%  | (23) | )% |
|   | 61,468              | 54,060     | 7,408               | 14   | %   | 14   | %  |
| Total:  |                     |            |                     |      |   |      |    |
| Pawn loans  | 123,901             | 112,212    | 11,689              | 10   | %   | 10   | %  |
| CSO credit extensions held by independent third-party (1) | 10,258              | 11,055     | (797)               | (7)  | )%  | (7)  | )% |
| Other consumer loans                                      | 1,339               | 1,504      | (165)               | (11) | )%  | (11) | )% |
|   | \$ 135,498          | \$ 124,771 | \$ 10,727           | 9    | %   | 9    | %  |
| Pawn inventories:   |                     |            |                     |      |   |      |    |
| Domestic pawn inventories                                 | \$ 36,370           | \$ 38,534  | \$(2,164)           | (6)  | )%  | (6)  | )% |
| International pawn inventories                            | 41,217              | 43,471     | (2,254)             | (5)  | )%  | (5)  | )% |
|   | \$ 77,587           | \$ 82,005  | \$(4,418)           | (5)  | )%  | (5)  | )% |

(1) CSO Program amounts outstanding are composed of the principal portion of active CSO Program extensions of credit by an independent third-party lender, which are not included on the Company's balance sheet, net of the Company's estimated fair value of its liability under the letters of credit guaranteeing the extensions of credit.

The following table details the composition of pawn collateral and the average outstanding pawn loan receivable as of June 30, 2014 as compared to June 30, 2013 (unaudited).

|                                       | Balance at June 30, |        |   |
|---------------------------------------|---------------------|--------|---|
|                                       | 2014                | 2013   |   |
| Composition of pawn collateral:       |                     |        |   |
| Domestic pawn loans:                  |                     |        |   |
| General merchandise                   | 45                  | % 39   | % |
| Jewelry                               | 55                  | % 61   | % |
|                                       | 100                 | % 100  | % |
| International pawn loans:             |                     |        |   |
| General merchandise                   | 88                  | % 87   | % |
| Jewelry                               | 12                  | % 13   | % |
|                                       | 100                 | % 100  | % |
| Total pawn loans:                     |                     |        |   |
| General merchandise                   | 66                  | % 64   | % |
| Jewelry                               | 34                  | % 36   | % |
|                                       | 100                 | % 100  | % |
| Average outstanding pawn loan amount: |                     |        |   |
| Domestic pawn loans                   | \$ 162              | \$ 169 |   |
| International pawn loans              | 71                  | 70     |   |

|                  |     |    |
|------------------|-----|----|
| Total pawn loans | 100 | 97 |
|------------------|-----|----|

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### Retail Merchandise Sales Operations

Total retail merchandise sales increased 16% (19% on a constant currency basis) to \$97,188,000 during the second quarter of 2014 compared to \$83,900,000 for the second quarter of 2013. The increased retail merchandise sales in the Company's pawn stores reflected store additions, maturation of existing stores and an increased mix of retail general merchandise inventories (primarily consumer electronics, appliances and power tools). The gross profit margin on retail merchandise sales, which excludes scrap jewelry sales, was 39% for both the second quarter of 2014 and 2013. Pawn inventories decreased from \$82,005,000 at June 30, 2013 to \$77,587,000 at June 30, 2014, largely as a result of reduced scrap jewelry inventories and optimizing inventory levels at previously acquired stores. At June 30, 2014, the Company's pawn inventories, at cost, were composed of: 30% jewelry (primarily gold jewelry held for retail sale), 43% electronics and appliances, 10% tools and 17% other. At June 30, 2014 and 2013, 97% of total inventories, at cost, had been held for one year or less, while 3% had been held for more than one year.

### Pawn Lending Operations

Pawn loan fees increased 10% (13% on a constant currency basis) to \$47,555,000 during the second quarter of 2014 compared to \$43,052,000 for the second quarter of 2013. The increase in pawn loan fees was consistent with the increase in total outstanding pawn receivables. Consolidated pawn receivables, as of June 30, 2014, increased 10% (on a reported and constant currency basis) compared to June 30, 2013, primarily from store additions, maturation of existing stores and a 2% increase in the average loan amount outstanding. Consolidated same-store pawn receivables (constant currency basis) increased 3% in total, declined 1% in the U.S. and increased 6% in Mexico from June 30, 2013 to June 30, 2014.

### Consumer Lending Operations

Service fees from consumer loans and credit services transactions (collectively also known as payday loans) decreased 17% to \$8,416,000 during the second quarter of 2014 compared to \$10,085,000 for the second quarter of 2013. The Company attributes the decrease in part to increased competition in certain Texas markets coupled with the closing of certain consumer loan locations in Texas and Mexico. Consumer/payday loan-related products comprised 5% of total revenue for the second quarter of 2014.

The Company's consumer loan and credit services credit loss provision of \$2,214,000 was 27% of consumer loan and credit services fee revenue during the second quarter of 2014 compared to \$2,487,000, or 25%, during the second quarter of 2013, respectively. The estimated fair value of liabilities under the CSO Program letters of credit, net of anticipated recoveries from customers, was \$489,000, or 4.6% of the gross loan balance, at June 30, 2014 compared to \$526,000, or 4.5% of the gross loan balance, at June 30, 2013, which is included as a component of the Company's accrued liabilities. The Company's loss reserve on consumer loans was \$79,000, or 5.6% of the gross loan balance, at June 30, 2014 compared to \$87,000, or 5.5% of the gross loan balance, at June 30, 2013.

### Wholesale Scrap Jewelry Operations

Revenue from wholesale scrap jewelry operations increased 129% to \$12,167,000 during the second quarter of 2014 compared to \$5,317,000 for the second quarter of 2013. Wholesale scrap jewelry revenue during the three months ended June 30, 2014 consisted primarily of gold sales, of which approximately 8,000 ounces were sold at an average price of \$1,318 per ounce, compared to approximately 2,100 ounces of gold sold at \$1,561 per ounce in the prior-year period. The volume of liquidated scrap jewelry during the second quarter of 2014 increased compared to the second quarter of 2013, primarily due to the Company's election to sell 7,700 ounces of gold acquired during the second quarter of 2013 in the third quarter of 2013. If the 7,700 ounces of gold had been sold in the second quarter of 2013, the volume of liquidated scrap jewelry decreased 18%. The scrap gross profit margin was 17% compared to the prior-period margin of 13%. Scrap jewelry profits accounted for 2% of net revenue (gross profit) for the second

quarter of 2014 compared to 1% in the second quarter of 2013. The average market price of gold during the second quarter of 2014 decreased 9% compared to the second quarter of 2013, while the ending price at June 30, 2014 increased 10% compared to June 30, 2013. The Company's exposure to gold price risk is described in detail in the Company's 2013 annual report on Form 10-K.

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Combined Revenue Results

The increase in quarter-over-quarter total revenue of 16% (19% on a constant currency basis) reflected a 14% increase (17% on a constant currency basis) in combined retail sales and pawn fee revenue from new and existing pawn stores and an increase in wholesale scrap jewelry revenue, offset by a decrease in consumer loan fees. Second quarter revenue generated by the stores opened or acquired since April 1, 2013 increased by \$5,906,000 in Mexico and \$15,438,000 in the United States compared to the second quarter of 2013.

Excluding wholesale scrap jewelry sales and consumer loan fees, the Company's same-store core revenue in pawn stores increased 1% on a consolidated, constant currency basis from the second quarter of 2013 to the second quarter of 2014. Same-store core sales in Mexico increased 5% (on a constant currency basis), offset by a 5% decrease in the U.S. as compared to the prior-year period. Same-store wholesale scrap jewelry revenue increased 104% in total, primarily due to the Company's election to sell 7,700 ounces of gold acquired during the second quarter of 2013 in the third quarter of 2013.

Store Operating Expenses

Store operating expenses increased by 13% to \$48,934,000 during the second quarter of 2014 compared to \$43,308,000 during the second quarter of 2013, primarily as a result of a 9% increase in the weighted-average store count, which included a number of larger, mature stores added through acquisitions during the prior year. Same-store operating expenses decreased 1% on a constant currency basis compared to the prior-year period.

The net store profit contribution from continuing operations for the second quarter of 2014 was \$41,374,000, which equates to a store-level operating margin of 25% compared to \$37,712,000 and 26% in the prior-year quarter, respectively. The decline in the store-level operating margin related primarily to the decrease in net revenue from jewelry scrapping.

Administrative Expenses, Interest, Taxes and Income

Administrative expenses increased 7% to \$13,615,000 during the second quarter of 2014 compared to \$12,764,000 during the second quarter of 2013. As a percentage of revenue, administrative expenses decreased from 9% during the second quarter of 2013 to 8% during the second quarter of 2014.

Interest expense increased to \$3,910,000 in the second quarter of 2014 compared to \$633,000 for the second quarter of 2013, reflecting an increase in the amount of outstanding debt and the higher interest rate of the Company's 6.75% senior notes issued in March 2014 as compared to the revolving line of credit. See “—Liquidity and Capital Resources.”

For the second quarter of 2014 and 2013, the Company's effective federal income tax rates were 31.6% and 34.1%, respectively. The decrease in the tax rate for 2014 relates to the June 30, 2013 termination of its election to include foreign subsidiaries in its consolidated U.S. federal income tax return. The Company expects the effective rate for the second half of 2014 to be approximately 32%, reflecting the blended statutory federal tax rates of 35% in the U.S. and 30% in Mexico.

Income from continuing operations increased 2% to \$16,015,000 during the second quarter of 2014 compared to \$15,654,000 during the second quarter of 2013. Net income was \$16,015,000 during the second quarter of 2014 compared to \$15,663,000 during the second quarter of 2013, which included the results of discontinued operations.

Six Months Ended June 30, 2014 Compared To The Six Months Ended June 30, 2013



The following table details the components of the Company's revenue for the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 (unaudited, in thousands). Constant currency results exclude the effects of foreign currency translation and are calculated by translating current-year results at prior-year average exchange rates. The average value of the Mexican peso to the U.S. dollar decreased 4%, from 12.6 to 1 during the six months ended June 30, 2013, to 13.1 to 1 during the six months ended June 30, 2014. The end-of-period value of the Mexican peso to the U.S. dollar was 13.0 to 1 at June 30, 2013 and June 30, 2014. As a result of these currency exchange movements, revenue of Mexican operations translated into fewer U.S. dollars relative to the prior-year period. While the weakening of the Mexican peso decreased the translated dollar-value of revenue, the cost of sales and operating expenses decreased as well. The scrap jewelry generated in Mexico is exported and sold in U.S. dollars, which does not contribute to the Company's peso-denominated earnings stream. See “—Non-GAAP Financial Information-Constant Currency Results” below.

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|  | Six Months Ended |            | Increase/(Decrease) |      |   | Increase/(Decrease)        |   |
|--|------------------|------------|---------------------|------|---|----------------------------|---|
|  | June 30,<br>2014 | 2013       |                     |      |   | Constant Currency<br>Basis |   |
| Domestic revenue:                      |                  |            |                     |      |   |                            |   |
| Retail merchandise sales               | \$ 83,452        | \$ 62,806  | \$ 20,646           | 33   | % | 33                         | % |
| Pawn loan fees                         | 43,283           | 36,048     | 7,235               | 20   | % | 20                         | % |
| Consumer loan and credit services fees | 16,822           | 20,065     | (3,243)             | (16) | % | (16)                       | % |
| Wholesale scrap jewelry revenue        | 15,408           | 15,506     | (98)                | (1)  | % | (1)                        | % |
|  | 158,965          | 134,425    | 24,540              | 18   | % | 18                         | % |
| International revenue:                 |                  |            |                     |      |   |                            |   |
| Retail merchandise sales               | 112,444          | 102,864    | 9,580               | 9    | % | 14                         | % |
| Pawn loan fees                         | 51,910           | 50,155     | 1,755               | 3    | % | 8                          | % |
| Consumer loan and credit services fees | 1,378            | 1,787      | (409)               | (23) | % | (19)                       | % |
| Wholesale scrap jewelry revenue        | 10,406           | 13,035     | (2,629)             | (20) | % | (20)                       | % |
|  | 176,138          | 167,841    | 8,297               | 5    | % | 9                          | % |
| Total revenue:                         |                  |            |                     |      |   |                            |   |
| Retail merchandise sales               | 195,896          | 165,670    | 30,226              | 18   | % | 21                         | % |
| Pawn loan fees                         | 95,193           | 86,203     | 8,990               | 10   | % | 13                         | % |
| Consumer loan and credit services fees | 18,200           | 21,852     | (3,652)             | (17) | % | (16)                       | % |
| Wholesale scrap jewelry revenue        | 25,814           | 28,541     | (2,727)             | (10) | % | (10)                       | % |
|  | \$ 335,103       | \$ 302,266 | \$ 32,837           | 11   | % | 13                         | % |

Domestic revenue accounted for approximately 47% of the total revenue for the six months ended June 30, 2014, while international revenue (from Mexico) accounted for 53% of total revenue for the same period.

## Retail Merchandise Sales Operations

Total retail merchandise sales increased 18% (21% on a constant currency basis) to \$195,896,000 during the six months ended June 30, 2014 compared to \$165,670,000 for the six months ended June 30, 2013. The increased retail merchandise sales in the Company's pawn stores reflected store additions, maturation of existing stores and an increased mix of retail general merchandise inventories (primarily consumer electronics, appliances and power tools). During the six months ended June 30, 2014, the gross profit margin on retail merchandise sales, which excludes scrap jewelry sales, was 39% compared to a margin of 40% on retail merchandise sales during the six months ended June 30, 2013.

Pawn inventories decreased from \$82,005,000 at June 30, 2013 to \$77,587,000 at June 30, 2014, largely as a result of reduced scrap jewelry inventories and optimizing inventory levels at previously acquired stores. At June 30, 2014, the Company's pawn inventories, at cost, were composed of: 30% jewelry (primarily gold jewelry held for retail sale), 43% electronics and appliances, 10% tools and 17% other. At June 30, 2014 and 2013, 97% of total inventories, at cost, had been held for one year or less, while 3% had been held for more than one year.

## Pawn Lending Operations

Pawn loan fees increased 10% (13% on a constant currency basis) to \$95,193,000 during the six months ended June 30, 2014 compared to \$86,203,000 for the six months ended June 30, 2013. The increase in pawn loan fees was consistent with the increase in total outstanding pawn receivables. Consolidated pawn receivables, as of June 30, 2014, increased 10% (on a reported and constant currency basis) compared to June 30, 2013, primarily from store additions, maturation of existing stores and a 2% increase in the average loan amount outstanding. Consolidated same-store pawn receivables (constant currency basis) increased 3% in total, declined 1% in the U.S. and increased 6% in Mexico from June 30, 2013 to June 30, 2014.



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### Consumer Lending Operations

Service fees from consumer loans and credit services transactions (collectively also known as payday loans) decreased 17% to \$18,200,000 during the six months ended June 30, 2014 compared to \$21,852,000 for the six months ended June 30, 2013. The Company attributes the decrease in part to increased competition in certain Texas markets coupled with the closing of certain consumer loan locations in Texas and Mexico. Consumer/payday loan-related products comprised 5% of total revenue during the six months ended June 30, 2014.

The Company's consumer loan and credit services credit loss provision of \$3,938,000 was 22% of consumer loan and credit services fee revenue during the six months ended June 30, 2014 compared to \$4,581,000, or 21%, during the six months ended June 30, 2013, respectively. The estimated fair value of liabilities under the CSO letters of credit, net of anticipated recoveries from customers, was \$489,000, or 4.6% of the gross loan balance, at June 30, 2014 compared to \$526,000, or 4.5% of the gross loan balance, at June 30, 2013, which is included as a component of the Company's accrued liabilities. The Company's loss reserve on consumer loans was \$79,000, or 5.6% of the gross loan balance, at June 30, 2014 compared to \$87,000, or 5.5% of the gross loan balance, at June 30, 2013.

### Wholesale Scrap Jewelry Operations

Revenue from wholesale scrap jewelry operations decreased 10% to \$25,814,000 during the six months ended June 30, 2014 compared to \$28,541,000 for the six months ended June 30, 2013. Wholesale scrap jewelry revenue during the six months ended June 30, 2014 consisted primarily of gold sales, of which approximately 16,900 ounces were sold at an average selling price of \$1,311 per ounce compared to approximately 14,500 ounces of gold sold at \$1,637 per ounce in the prior-year period. The volume of liquidated scrap jewelry during the six months ended June 30, 2014 increased compared to the six months ended June 30, 2013, primarily due to the Company's election to sell 7,700 ounces of gold acquired during the second quarter of 2013 in the third quarter of 2013. If the 7,700 ounces of gold had been sold in the second quarter of 2013, the volume of liquidated scrap jewelry decreased 24%. The scrap gross profit margin was 18% compared to the prior-period margin of 19%. Scrap jewelry profits accounted for 2% of net revenue (gross profit) for the six months ended June 30, 2014 compared to 3% in the six months ended June 30, 2013. The average market price of gold during the six months ended June 30, 2014 decreased 15% compared to the six months ended June 30, 2013, while the ending price at June 30, 2014 increased 10% compared to June 30, 2013. The Company's exposure to gold price risk is described in detail in the Company's 2013 annual report on Form 10-K.

### Combined Revenue Results

The increase in year-to-date total revenue of 11% (13% on a constant currency basis) reflected a 16% increase (18% on a constant currency basis) in combined retail sales and pawn fee revenue from new and existing pawn stores, offset by a decrease in wholesale scrap jewelry revenue and consumer loan fees. Year-to-date revenue generated by the stores opened or acquired since January 1, 2013 increased by \$13,007,000 in Mexico and \$35,537,000 in the United States compared to the same period last year.

Excluding wholesale scrap jewelry sales and consumer loan fees, the Company's same-store core revenue in pawn stores increased 1% on a consolidated, constant currency basis from the six months ended June 30, 2013 to the six months ended June 30, 2014. Same-store core sales in Mexico increased 4% (on a constant currency basis), offset by a 5% decrease in the U.S. as compared to the prior-year period. Same-store wholesale scrap jewelry revenue decreased 21% in total, reflecting lower gold prices and reduced volumes from customers selling gold to the Company, partially offset by the Company's election to sell 7,700 ounces of gold acquired during the second quarter of 2013 in the third quarter of 2013.

### Store Operating Expenses

Store operating expenses increased by 13% to \$97,426,000 during the six months ended June 30, 2014 compared to \$86,113,000 during the six months ended June 30, 2013, primarily as a result of a 9% increase in the weighted-average store count, which included a number of large, mature stores added through acquisitions during the prior year. Same-store operating expenses decreased 2% on a constant currency basis compared to the prior-year period.

The net store profit contribution from continuing operations for the six months ended June 30, 2014 was \$85,795,000, which equates to a store-level operating margin of 26% compared to \$83,157,000 and 28% in the prior year, respectively. The decline in the store-level operating margin related primarily to the decrease in net revenue from jewelry scrapping.

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### Administrative Expenses, Interest, Taxes and Income

Administrative expenses increased 4% to \$26,944,000 during the six months ended June 30, 2014 compared to \$25,856,000 during the six months ended June 30, 2013. As a percentage of revenue, administrative expenses decreased from 9% during the six months ended June 30, 2013 to 8% during the six months ended June 30, 2014.

Interest expense increased to \$5,346,000 during the six months ended June 30, 2014 compared to \$1,352,000 for the six months ended June 30, 2013, reflecting an increase in the amount of outstanding debt and the higher interest rate of the Company's 6.75% senior notes issued in March 2014 as compared to the revolving line of credit. See “—Liquidity and Capital Resources.”

For the six months ended June 30, 2014 and 2013, the Company's effective federal income tax rates were 25.6% and 34.8%, respectively. The Company recorded an additional benefit of \$3,669,000 in March 2014 as the result of a change in its estimated U.S. federal liability associated with the 2013 termination of its election to include foreign subsidiaries in its consolidated U.S. federal income tax return. Excluding the non-recurring net benefit, the consolidated tax rate for the six months ended June 30, 2014 was 32.6% compared to an effective tax rate of 34.8% in the six months ended June 30, 2013. The Company expects the effective tax rate for the second half of 2014 to be approximately 32%, reflecting the blended statutory federal tax rates of 35% in the U.S. and 30% in Mexico.

Income from continuing operations increased 9% to \$38,969,000 during the six months ended June 30, 2014 compared to \$35,834,000 during the six months ended June 30, 2013. Net income was \$38,697,000 during the six months ended June 30, 2014 compared to \$35,927,000 during the six months ended June 30, 2013, which included the results of discontinued operations.

### LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2014, the Company's primary sources of liquidity were \$84,055,000 in cash and cash equivalents, \$160,000,000 of available and unused funds under the Company's long-term line of credit with its commercial lenders, \$143,048,000 in customer loans and \$77,587,000 in inventories. As of June 30, 2014, the amount of cash associated with indefinitely reinvested foreign earnings was approximately \$44,010,000. The Company had working capital of \$269,362,000 as of June 30, 2014 and total equity exceeded liabilities by a ratio of 1.8 to 1.

On March 24, 2014, the Company completed the private offering of \$200,000,000 of 6.75% senior notes due on April 1, 2021 (the “Notes”). Interest on the Notes will be payable semi-annually in arrears on April 1 and October 1, commencing on October 1, 2014. The Notes were sold to the placement agents as initial purchasers for resale only to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and outside the United States in accordance with Regulation S under the Securities Act. The net proceeds from the sale of the Notes were approximately \$194,800,000. The Company used \$153,411,000 of the net proceeds from the offering to repay all amounts outstanding under the 2014 Credit Facility (defined below) and to pay off the remaining balances on notes payable related to previous pawn store acquisitions. Approximately \$41,389,000 of the net proceeds remain available for general corporate purposes. The Company capitalized approximately \$5,200,000 in issuance costs, which consisted primarily of placement agent fees and legal and other professional expenses. The issuance costs are being amortized over the life of the Notes as a component of interest expense.

The Notes are fully and unconditionally guaranteed on a senior unsecured basis jointly and severally by all of the Company's existing and future domestic subsidiaries that guarantee the 2014 Credit Facility. The Company may redeem the Notes at any time on or after April 1, 2017, at the redemption prices set forth in the indenture governing the Notes (the “Indenture”), plus accrued and unpaid interest, if any. In addition, prior to April 1, 2017, the Company may redeem some or all of the Notes at a price equal to 100% of the principal amount thereof, plus accrued and

unpaid interest, if any, plus the “make-whole” premium set forth in the Indenture. The Company may redeem up to 35% of the Notes prior to April 1, 2017, with the proceeds of certain equity offerings at a redemption price of 106.75% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any. In addition, upon a change of control, noteholders have the right to require the Company to purchase the Notes at a price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest, if any.

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On March 24, 2014, the Company entered into a registration rights agreement with the initial purchasers of the Notes. Pursuant to the registration rights agreement, the Company agreed to use commercially reasonable efforts to issue in exchange for the Notes, generally no later than approximately 245 days following the closing date of the issuance and sale of the Notes, identical new notes that have been registered under the Securities Act. In certain circumstances, the Company may be required to file a shelf registration statement to cover resales of the Notes. If the Company does not comply with certain covenants set forth in the registration rights agreement, the Company may be required to pay liquidated damages to holders of the Notes. Pursuant to the registration rights agreement, the Company caused a registration statement on Form S-4 to be declared effective by the Securities and Exchange Commission (“SEC”) in July 2014 and is currently conducting an offer to exchange the unregistered Notes with identical new notes registered under the Securities Act.

During the period from January 1, 2014 through February 4, 2014, the Company maintained a revolving line of credit agreement with its lenders (the “2012 Credit Facility”) in the amount of \$205,000,000, which was scheduled to mature in February 2015. The 2012 Credit Facility charged interest at the prevailing 30-day London Interbank Offer Rate (“LIBOR”) plus a fixed spread of 2.0%.

On February 5, 2014, the Company entered into an agreement with a group of commercial lenders to establish a new revolving credit facility (the “2014 Credit Facility”) in the amount of \$160,000,000 with an accordion feature whereby the facility may be increased up to an additional \$50,000,000 with the consent of any increasing or additional participating lenders. The Company used proceeds from the 2014 Credit Facility and available cash balances to retire and terminate the 2012 Credit Facility. The 2014 Credit Facility matures in February 2019 and bears interest, at the Company's option, at either (i) the prevailing LIBOR rate (with interest periods of 1, 2, 3 or 6 months at the Company's option) plus a fixed spread of 2.5% or (ii) the prevailing prime or base rate plus a fixed spread of 1.5%. The Company is required to maintain certain financial ratios and comply with certain financial covenants, including compliance with a leverage ratio of no greater than 2.5 times Consolidated EBITDA (as defined in the 2014 Credit Facility) and a fixed charge coverage ratio. The 2014 Credit Facility limits the Company's ability to incur additional indebtedness, subject to customary exceptions, including permitted additional unsecured debt so long as the aggregate principal amount of the loans and commitments under the 2014 Credit Facility plus such additional unsecured debt plus foreign third-party loans does not in the aggregate exceed \$500,000,000. The 2014 Credit Facility is unsecured except for the pledge of 65% of the voting equity interests of the Company's foreign subsidiaries, and the Company is restricted from pledging any of its other assets as collateral against other indebtedness. The 2014 Credit Facility is guaranteed by the Company's material U.S. operating subsidiaries. The 2014 Credit Facility allows the Company to repurchase shares of its stock and to pay cash dividends within certain parameters. The Company is required to pay an annual commitment fee of 0.50% on the average daily unused portion of the 2014 Credit Facility commitment. During March 2014, the Company used \$145,870,000 of the proceeds from the sale of the Notes to repay all amounts outstanding under the 2014 Credit Facility. At June 30, 2014, the Company had no amount outstanding under the 2014 Credit Facility and \$160,000,000 available for borrowings. The Company believes it is in compliance with the requirements and covenants of the 2014 Credit Facility, and believes it has the capacity to borrow the full amount available under the 2014 Credit Facility under the most restrictive covenant.

In general, revenue growth is dependent upon the Company’s ability to fund growth of store locations, customer loan balances and inventories. In addition to these factors, changes in loan balances, collection of pawn fees, merchandise sales, inventory levels, operating expenses and the pace of new store expansions and acquisitions affect the Company’s liquidity. Management believes that cash on hand, the borrowings available under the 2014 Credit Facility, anticipated cash generated from operations (including the normal seasonal increases in operating cash flows occurring in the first and fourth quarters) and other current working capital will be sufficient to meet the Company’s anticipated capital requirements for its business for at least the next 12 months. Where appropriate or desirable, in connection with the Company’s efficient management of its liquidity position, the Company could seek to raise additional funds from a variety of sources, including the sale of assets, reductions in capital spending, the issuance of debt or equity securities



and/or changes to its management of current assets. The characteristics of the Company's current assets, specifically the ability to rapidly liquidate gold jewelry inventory and adjust outflows of cash in its lending practices, gives the Company flexibility to quickly modify its business strategy to increase cash flow from its business, if necessary. Regulatory developments affecting the Company's operations may also impact profitability and liquidity. See "—Regulatory Developments."

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The following tables set forth certain historical information with respect to the Company's sources and uses of cash and other key indicators of liquidity (unaudited, dollar amounts in thousands):

|  | Six Months Ended    |   |            |   |
|--|---------------------|---|------------|---|
|  | June 30,            |   |            |   |
|  | 2014                |   | 2013       |   |
| Cash flow provided by operating activities           | \$48,940            |   | \$45,047   |   |
| Cash flow used in investing activities               | \$(26,406)          | ) | \$(89,237) | ) |
| Cash flow provided by (used in) financing activities | \$(9,075)           | ) | \$25,857   |   |
|  | Balance at June 30, |   |            |   |
|  | 2014                |   | 2013       |   |
| Working capital                                      | \$269,362           |   | \$213,119  |   |
| Current ratio  | 7.35:1              |   | 7.00:1     |   |
| Leverage ratio (trailing twelve months)              | 1.4:1               |   | 1.1:1      |   |
| Liabilities to equity ratio                          | 57                  | % | 57         | % |
| Inventory turns (trailing twelve months)             | 3.8x                |   | 3.7x       |   |

Net cash provided by operating activities increased \$3,893,000, or 9%, from \$45,047,000 for the six months ended June 30, 2013 to \$48,940,000 for the six months ended June 30, 2014, primarily due to an increase in net income of \$2,770,000 and net changes in certain operating assets and liabilities.

Net cash used in investing activities decreased \$62,831,000, or 70%, from \$89,237,000 during the six months ended June 30, 2013 to \$26,406,000 for the six months ended June 30, 2014. Cash flows from investing activities are utilized primarily to fund pawn store acquisitions, growth of pawn loans and purchases of property and equipment. The Company paid \$6,389,000 in cash related to acquisitions in the six months ended June 30, 2014 compared to \$71,501,000 in the prior-year period.

Net cash used in financing activities increased \$34,932,000, or 135%, from net cash provided by financing activities of \$25,857,000 for the six months ended June 30, 2013 to net cash used in financing activities of \$9,075,000 for the six months ended June 30, 2014. While net payments on the 2012 Credit Facility and the 2014 Credit Facility increased \$232,500,000 compared to the prior-year period, the Company had net proceeds from the offering of Notes of approximately \$194,800,000 during the six months ended June 30, 2014. The Company repurchased less of its common stock (\$13,314,000 during the first six months of 2014 compared to \$38,692,000 during the first six months of 2013), and realized proceeds from the exercise of stock options and the related tax benefit of \$15,640,000 during the first six months of 2013 compared to \$1,389,000 during the six months ended June 30, 2014.

During the six months ended June 30, 2014, the Company added 24 new pawn stores, acquired one pawn store and converted one small format store into a large format pawn store. The purchase price of the January 2014 U.S. store acquisition, net of cash acquired, was \$4,481,000 and was composed of \$4,381,000 in cash paid at closing and an additional \$100,000 payable in January 2015. During the six months ended June 30, 2014, the Company paid \$2,008,000 of amounts payable related to previous acquisitions. The Company funded \$12,059,000 in capital expenditures, primarily for new stores, during the six months ended June 30, 2014, and expects to fund capital expenditures at a similar annualized rate in the remainder of 2014. Acquisition purchase prices, capital expenditures, working capital requirements and start-up losses related to this expansion have been primarily funded through cash balances, operating cash flows and credit facilities. The Company's cash flow and liquidity available to fund expansion in 2014 includes net cash flow from operating activities of \$48,940,000 for the six months ended June 30, 2014.

The Company intends to continue expansion primarily through new store openings. During 2014, the Company expects to add approximately 75 to 85 new stores. It anticipates that most of the additions will continue to be large

format pawn stores in Mexico, but also includes 10 to 15 new builds and small acquisitions in strategic markets, which could further increase store additions for 2014. Management believes that cash on hand, the amounts available to be drawn under the 2014 Credit Facility and cash generated from operations will be sufficient to accommodate the Company's current operations and store expansion plans for the remainder of 2014.

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The Company continually looks for, and is presented with, potential acquisition opportunities. The Company currently has no contractual commitments for materially significant future acquisitions or other capital commitments. The Company will evaluate potential acquisitions based upon growth potential, purchase price, available liquidity, strategic fit and quality of management personnel, among other factors. If the Company encounters an attractive opportunity to acquire new stores in the near future, the Company may seek additional financing, the terms of which will be negotiated on a case-by-case basis.

In January 2013, the Company's Board of Directors authorized a repurchase program for up to 1,500,000 shares of the Company's outstanding common stock. During the six months ended June 30, 2014, the Company repurchased 235,000 shares of its common stock at an aggregate cost of \$13,314,000 at an average price of \$56.56 per share and 536,000 shares remain available for repurchase under the repurchase program. Under its share repurchase program, the Company can purchase common stock in open market transactions, block purchases or privately negotiated transactions, and may from time to time purchase shares pursuant to a trading plan in accordance with Rule 10b5-1 and Rule 10b-18 under the Exchange Act, or by any combination of such methods. The number of shares to be purchased and the timing of the purchases are based on a variety of factors, including, but not limited to, the level of cash balances, credit availability, general business conditions, regulatory requirements, the market price of the Company's stock and the availability of alternative investment opportunities. No time limit was set for completion of repurchases and the program may be suspended or discontinued at any time.

## Non-GAAP Financial Information

The Company uses certain financial calculations such as EBITDA from continuing operations, free cash flow and constant currency results (as defined or explained below) as factors in the measurement and evaluation of the Company's operating performance and period-over-period growth. The Company derives these financial calculations on the basis of methodologies other than GAAP, primarily by excluding from a comparable GAAP measure certain items that the Company does not consider to be representative of its actual operating performance. These financial calculations are "non-GAAP financial measures" as defined in SEC rules. The Company uses these financial calculations in operating its business because management believes they are less susceptible to variances in actual operating performance that can result from the excluded items and other infrequent charges. The Company presents these financial measures to investors because management believes they are useful to investors in evaluating the primary factors that drive the Company's operating performance and because management believes they provide greater transparency into the Company's results of operations. However, items that are excluded and other adjustments and assumptions that are made in calculating EBITDA from continuing operations, free cash flow and constant currency results are significant components in understanding and assessing the Company's financial performance. These non-GAAP financial measures should be evaluated in conjunction with, and are not a substitute for, the Company's GAAP financial measures. Further, because these non-GAAP financial measures are not determined in accordance with GAAP and are thus susceptible to varying calculations, EBITDA from continuing operations, free cash flow and constant currency results as presented may not be comparable to other similarly titled measures of other companies.

## Earnings from Continuing Operations Before Interest, Taxes, Depreciation and Amortization

The Company defines EBITDA from continuing operations as net income (loss) before income (loss) from discontinued operations net of tax, income taxes, depreciation and amortization, interest expense and interest income. EBITDA from continuing operations is commonly used by investors to assess a company's leverage capacity, liquidity and financial performance. However, EBITDA from continuing operations has limitations as an analytical tool and should not be considered in isolation or as a substitute for net income (loss) or other statement of income data prepared in accordance with GAAP. The following table provides a reconciliation of net income to EBITDA from continuing operations (unaudited, in thousands):



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|   | Three Months Ended |            | Six Months Ended |            | Trailing Twelve |            |
|---|--------------------|------------|------------------|------------|-----------------|------------|
|   | June 30,           |            | June 30,         |            | Months Ended    |            |
|   | 2014               | 2013       | 2014             | 2013       | 2014            | 2013       |
| Net income  | \$ 16,015          | \$ 15,663  | \$ 38,697        | \$ 35,927  | \$ 86,616       | \$ 82,425  |
| (Income) loss from discontinued operations, net of tax                                    | —                  | (9 )       | 272              | (93 )      | 998             | 599        |
| Income from continuing operations   | 16,015             | 15,654     | 38,969           | 35,834     | 87,614          | 83,024     |
| Adjustments:  |                    |            |                  |            |                 |            |
| Income taxes  | 7,384              | 8,106      | 13,438           | 19,092     | 30,059          | 42,731     |
| Depreciation and amortization   | 4,325              | 3,733      | 8,597            | 7,358      | 16,600          | 14,168     |
| Interest expense  | 3,910              | 633        | 5,346            | 1,352      | 7,486           | 2,587      |
| Interest income   | (262 )             | (51 )      | (343 )           | (198 )     | (467 )          | (297 )     |
| Earnings from continuing operations before interest, taxes, depreciation and amortization | \$ 31,372          | \$ 28,075  | \$ 66,007        | \$ 63,438  | \$ 141,292      | \$ 142,213 |
| EBITDA from continuing operations margin calculated as follows:                           |                    |            |                  |            |                 |            |
| Total revenue from continuing operations  | \$ 165,326         | \$ 142,354 | \$ 335,103       | \$ 302,266 | \$ 693,685      | \$ 629,223 |
| Earnings from continuing operations before interest, taxes, depreciation and amortization | 31,372             | 28,075     | 66,007           | 63,438     | 141,292         | 142,213    |
| EBITDA from continuing operations as a percentage of revenue                              | 19                 | % 20       | % 20             | % 21       | % 20            | % 23       |
| Leverage ratio (indebtedness divided by EBITDA from continuing operations):               |                    |            |                  |            |                 |            |
| Indebtedness  |                    |            |                  |            | \$ 200,000      | \$ 162,972 |
| Earnings from continuing operations before interest, taxes, depreciation and amortization |                    |            |                  |            | 141,292         | 142,213    |
| Leverage ratio  |                    |            |                  |            | 1.4:1           | 1.1:1      |

## Free Cash Flow

For purposes of its internal liquidity assessments, the Company considers free cash flow, which is defined as cash flow from the operating activities of continuing and discontinued operations reduced by purchases of property and equipment and net cash outflow from loan receivables. Free cash flow is commonly used by investors as a measure of cash generated by business operations that will be used to repay scheduled debt maturities and can be used to invest in future growth through new business development activities or acquisitions, repurchase stock, or repay debt obligations prior to their maturities. These metrics can also be used to evaluate the Company's ability to generate cash flow from business operations and the impact that this cash flow has on the Company's liquidity. However, free cash flow has limitations as an analytical tool and should not be considered in isolation or as a substitute for cash flow from operating activities, including discontinued operations, or other income statement data prepared in accordance with

GAAP. The following table provides a reconciliation of cash flow from operating activities to free cash flow (unaudited, in thousands):

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|  | Trailing Twelve Months Ended<br>June 30, |           |
|--|--|-----------|
|  | 2014                                     | 2013      |
| Cash flow from operating activities, including discontinued operations | \$ 110,611                               | \$ 94,102 |
| Cash flow from investing activities:                                   |  |           |
| Loan receivables   | (1,007                                   | ) (14,109 |
| Purchases of property and equipment                                    | (28,357                                  | ) (22,464 |
| Free cash flow   | \$ 81,247                                | \$ 57,529 |

## Constant Currency Results

The Company's reporting currency is the U.S. dollar. However, certain performance metrics discussed in this report are presented on a "constant currency" basis, which may be considered a non-GAAP measurement of financial performance under GAAP. The Company's management uses constant currency results to evaluate operating results of certain business operations in Mexico, which are transacted in Mexican pesos. Pawn scrap jewelry in Mexico is sold in U.S. dollars and, accordingly, does not require a constant currency adjustment. Constant currency results reported herein are calculated by translating certain balance sheet and income statement items denominated in Mexican pesos using the exchange rate from the prior-year comparable period, as opposed to the current comparable period, in order to exclude the effects of foreign currency rate fluctuations for purposes of evaluating period-over-period comparisons. For balance sheet items, the end-of-period exchange rate of 13.0 to 1 at June 30, 2013 was used. The exchange rate at June 30, 2014 was also 13.0 to 1. For income statement items, the average closing daily exchange rate for the appropriate period was used. The average exchange rate for the prior-year quarter ended June 30, 2013 was 12.5 to 1 compared to the current quarter rate of 13.0 to 1. The average exchange rate for the prior-year six-month period ended June 30, 2013 was 12.6 to 1 compared to the current year-to-date rate of 13.1 to 1.

## Regulatory Developments

The Company is subject to regulation of its pawn stores, credit services, consumer loan and check cashing operations in all of the jurisdictions in which it operates. These regulations are provided through numerous laws, ordinances and regulatory pronouncements from various federal, state and local governmental entities in the United States and Mexico. These regulatory agencies have broad discretionary authority. Many statutes and regulations prescribe, among other things, the general terms of the Company's pawn and consumer loan agreements, including maximum service and/or interest rates that may be charged. In many jurisdictions, in both the United States and Mexico, the Company must obtain and maintain regulatory operating licenses and comply with regular or frequent regulatory reporting requirements, including reporting and recording of firearm transactions (U.S. only), receiving of pawn collateral, purchasing of merchandise, sales, export, import and transfer of merchandise, and currency transactions, among other things.

In both the United States and Mexico, governmental action to further restrict or even prohibit pawn loans and transactions or small consumer loans, such as payday advances and credit services products, has been advocated over the past few years by elected officials, regulators, consumer advocacy groups and by media reports and stories. The consumer groups and media stories typically focus on the cost to a consumer for pawn and consumer loans, which is higher than the interest generally charged by banks, credit unions and credit card issuers to a more creditworthy consumer. The consumer groups and media stories often characterize pawn and especially payday loan activities as abusive toward consumers. During the last few years, in both the United States and Mexico, legislation or ordinances (on federal, state and local levels) have been introduced or enacted to prohibit, restrict or further regulate pawn loans and related transactions, including acceptance of pawn collateral, sale of merchandise, payday loans, consumer loans, credit services and related service fees. In addition, regulatory authorities in various levels of government in the United States and Mexico have proposed or publicly addressed, from time to time, the possibility of proposing new or



expanded regulations that would prohibit or further restrict pawn loans and other pawn store transactions or consumer loans. Existing regulations and recent regulatory developments are described in greater detail in the Company's annual report on Form 10-K for the year ended December 31, 2013. This information is supplemented with the discussion provided in the following paragraphs.

As described in greater detail in the Company's annual report on Form 10-K for the year ended December 31, 2013, the U.S. federal Consumer Financial Protection Bureau ("CFPB") continues to study the small consumer loan market and could propose or adopt rules making certain short-term lending products and services materially less profitable or even impractical to offer. The rulemaking process, which should begin with an "Advanced Notice of Proposed Rulemaking" ("ANPR"), is now expected by the end of September. The CFPB previously issued a public report on payday lending in March 2014 outlining its concerns regarding rollover transactions and introducing the concept of "loan sequences" as a measure of sustained usage, which is a more stringent

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measure than the simple counting of rollovers. The CFPB also raised concerns in the report that payday loans do not typically amortize over a loan sequence and payday loan payments are unaffordable to many borrowers. There can be no assurance that the CFPB will not propose or adopt rules making short-term lending products, such as payday and credit services products, materially less profitable or even impractical to offer.

Local ordinances increasing the regulation of and potentially restricting customer access to credit services products offered in the Texas cities of Bryan and Garland, where the Company currently has six consumer loan and pawn stores offering credit services products, were recently enacted and will become effective later in 2014. The Company cannot currently estimate the impact of such ordinances on revenues and profitability of its credit services operations in Bryan and Garland.

There can be no assurance that additional local, state or federal statutes or regulations in either the United States or Mexico will not be enacted or that existing laws and regulations will not be amended at some future date that could outlaw or inhibit the ability of the Company to profitably offer pawn loans, consumer loans and credit services, significantly decrease the service fees for lending money, or prohibit or more stringently regulate the acceptance of collateral, sale, exportation or importation of pawn merchandise, any of which could have a material adverse effect on the Company's operations and financial condition. If legislative or regulatory actions that had negative effects on the pawn, consumer loan or credit services industries were taken at a federal, state or local level in the United States or Mexico, where the Company has a significant number of stores, those actions could have a material adverse effect on the Company's acceptance of collateral, lending, credit services and retail buy/sell operations. There can be no assurance that additional federal, state or local legislation in the United States or Mexico will not be enacted, or that existing laws and regulations will not be amended, which could have a material adverse effect on the Company's operations and financial condition.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risks relating to the Company's operations result primarily from changes in interest rates, gold prices and foreign currency exchange rates, and are described in detail in the Company's 2013 annual report on Form 10-K. The impact of current-year fluctuations in gold prices and foreign currency exchange rates, in particular, are further discussed in Part I, Item 2 herein. There have been no material changes to the Company's exposure to market risks since December 31, 2013.

**ITEM 4. CONTROLS AND PROCEDURES**

Under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, management of the Company has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of June 30, 2014 ("Evaluation Date"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective (i) to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms; and (ii) to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

There was no change in the Company's internal control over financial reporting during the quarter ended June 30, 2014, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material changes in the status of legal proceedings previously reported in the Company's 2013 annual report on Form 10-K.

ITEM 1A. RISK FACTORS

Important risk factors that could affect the Company's operations and financial performance, or that could cause results or events to differ from current expectations, are described in Part I, Item 1A, "Risk Factors" of the Company's 2013 annual report on Form 10-K. These factors are supplemented by those discussed under "Regulatory Developments" in Part I, Item 2 of this report and in "Governmental Regulation" in Part I, Item 1 of the Company's 2013 annual report on Form 10-K. As a result of the Company's private offering of the Notes in March 2014, certain risk factors, as provided below, have been identified in addition to those previously reported in the Company's 2013 annual report on Form 10-K.

The Company's existing and future levels of indebtedness could adversely affect its financial health, its ability to obtain financing in the future, its ability to react to changes in its business and its ability to fulfill its obligations under the Notes.

As of June 30, 2014, after giving effect to the issuance of the Notes and the entry into the 2014 Credit Facility, the Company had outstanding indebtedness of \$200,000,000 and availability of \$160,000,000 under the 2014 Credit Facility. The Company's level of indebtedness could:

- make it more difficult for it to satisfy its obligations with respect to the Notes and its other indebtedness, resulting in possible defaults on and acceleration of such indebtedness;
- require it to dedicate a substantial portion of its cash flow from operations to the payment of principal and interest on its indebtedness, thereby reducing the availability of such cash flows to fund working capital, acquisitions, new store openings, capital expenditures and other general corporate purposes;
- limit its ability to obtain additional financing for working capital, acquisitions, new store openings, capital expenditures, debt service requirements and other general corporate purposes;
- limit its ability to refinance indebtedness or cause the associated costs of such refinancing to increase;
- restrict the ability of its subsidiaries to pay dividends or otherwise transfer assets to the Company, which could limit its ability to, among other things, make required payments on its debt;
- increase the Company's vulnerability to general adverse economic and industry conditions, including interest rate fluctuations (because a portion of its borrowings are at variable rates of interest); and
- place the Company at a competitive disadvantage compared to other companies with proportionately less debt or comparable debt at more favorable interest rates who, as a result, may be better positioned to withstand economic downturns.

Any of the foregoing impacts of the Company's level of indebtedness could have a material adverse effect on its business, financial condition and results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the period from January 1, 2014 through June 30, 2014, the Company issued 45,000 shares of common stock relating to the exercise of outstanding stock options for an aggregate exercise price of \$1,389,000 (including income tax benefit). During the period from January 1, 2014 through June 30, 2014, the Company granted a total of 46,600 nonvested shares of common stock to certain executives of the Company. A total of 4,600 previously granted shares vested and were issued during the period from January 1, 2014 through June 30, 2014.

The transactions set forth in the above paragraph were completed pursuant to Section 4(2) of the Securities Act, did not involve a public offering and were sold to a limited group of persons. Each recipient either received adequate information about the Company or had access, through employment or other relationships, to such information, and the Company determined that each recipient had such knowledge and experience in financial and business matters that they were able to evaluate the merits and risks of an investment in the Company. All sales of the Company's securities were made by officers of the Company who received no commission or other remuneration for the solicitation of any person in connection with the respective sales of securities described above.

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In January 2013, the Company's Board of Directors authorized a repurchase program for up to 1,500,000 shares of the Company's outstanding common stock. During the six months ended June 30, 2014, the Company repurchased 235,000 shares of its common stock at an aggregate cost of \$13,314,000 at an average price of \$56.56 per share and 536,000 shares remain available for repurchase under the repurchase program. Under its share repurchase program, the Company can purchase common stock in open market transactions, block purchases or privately negotiated transactions, and may from time to time purchase shares pursuant to a trading plan in accordance with Rule 10b5-1 and Rule 10b-18 under the Exchange Act, or by any combination of such methods. The number of shares to be purchased and the timing of the purchases are based on a variety of factors, including, but not limited to, the level of cash balances, credit availability, general business conditions, regulatory requirements, the market price of the Company's stock and the availability of alternative investment opportunities. No time limit was set for completion of repurchases and the program may be suspended or discontinued at any time. The following table provides the information with respect to purchases made by the Company of shares of its common stock during each month that the program was in effect during the six months ended June 30, 2014:

|                                      | Total<br>Number<br>Of Shares<br>Purchased | Average<br>Price<br>Paid<br>Per Share | Total Number Of<br>Shares Purchased<br>As Part Of Publicly<br>Announced Plans | Maximum Number<br>Of Shares That May<br>Yet Be Purchased<br>Under The Plans |
|--------------------------------------|---|---------------------------------------|---|---|
| January 1 through January 31, 2014   | —   | \$—                                   | —   | 770,867   |
| February 1 through February 28, 2014 | —   | —                                     | —   | 770,867   |
| March 1 through March 31, 2014       | —   | —                                     | —   | 770,867   |
| April 1 through April 30, 2014       | —   | —                                     | —   | 770,867   |
| May 1 through May 31, 2014           | —   | —                                     | —   | 770,867   |
| June 1 through June 30, 2014         | 235,398                                   | 56.56                                 | 235,398   | 535,469   |
| Total                                | 235,398                                   | \$ 56.56                              | 235,398   |   |

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable.

## ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

## ITEM 5. OTHER INFORMATION

None.

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## ITEM 6. EXHIBITS

| Exhibit No. | Exhibit Description   | Incorporated by Reference |          |         |             | Filed Herewith |
|-------------|---|---------------------------|----------|---------|-------------|----------------|
|             |   | Form                      | File No. | Exhibit | Filing Date |                |
| 10.1        | Amendment No. 3 to First Amended and Restated Executive Employment Agreement of Rick L. Wessel *  | 8-K                       | 0-19133  | 10.1    | 06/12/2014  |                |
| 10.2        | Amendment No. 2 to Employment Agreement of R. Douglas Orr *   | 8-K                       | 0-19133  | 10.2    | 06/12/2014  |                |
| 31.1        | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act provided by Rick L. Wessel, Chief Executive Officer   |                           |          |         |             | X              |
| 31.2        | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act provided by R. Douglas Orr, Chief Financial Officer   |                           |          |         |             | X              |
| 32.1        | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 provided by Rick L. Wessel, Chief Executive Officer  |                           |          |         |             | X              |
| 32.2        | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 provided by R. Douglas Orr, Chief Financial Officer  |                           |          |         |             | X              |
| 101 (1)     | The following financial information from the Company's Quarterly Report on Form 10-Q for the second quarter of fiscal 2014, filed with the SEC on July 28, 2014, is formatted in Extensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets at June 30, 2014, June 30, 2013 and December 31, 2013, (ii) Condensed Consolidated Statements of Income for the three and six months ended June 30, 2014 and June 30, 2013, (iii) Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2014 and June 30, 2013, (iv) Condensed Consolidated Statements of Changes in Stockholders' Equity for the six months ended June 30, 2014 and June 30, 2013, (v) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2014 and June 30, 2013 and (vi) Notes to Condensed Consolidated Financial Statements. |                           |          |         |             | X              |

\*Indicates management contract or compensatory plan, contract or agreement.

(1) The XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

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SIGNATURES

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

Dated: July 28, 2014

FIRST CASH FINANCIAL SERVICES, INC.  
(Registrant)

/s/ RICK L. WESSEL  
Rick L. Wessel  
Chief Executive Officer  
(Principal Executive Officer)

/s/ R. DOUGLAS ORR  
R. Douglas Orr  
Executive Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

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## INDEX TO EXHIBITS

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(1) The XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

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