

CASH AMERICA INTERNATIONAL INC
Form 10-Q
July 22, 2011
Table of Contents

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 1-9733

(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of
Incorporation or organization)

75-2018239
(I.R.S. Employer
Identification No.)

1600 West 7th Street
Fort Worth, Texas

76102
(Zip Code)

(Address of principal executive offices)

(817) 335-1100

(Registrant's telephone number, including area code)

Edgar Filing: CASH AMERICA INTERNATIONAL INC - Form 10-Q

NONE

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

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

Yes No

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

Yes No

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

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

(Do not check if a smaller reporting company)

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

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

29,324,933 of the Registrant's common shares, \$.10 par value, were issued and outstanding as of July 14, 2011.

Table of Contents

CASH AMERICA INTERNATIONAL, INC.

INDEX TO FORM 10-Q

PART I. FINANCIAL INFORMATION

	Page
Item 1. Financial Statements (Unaudited)	
<u>Consolidated Balance Sheets June 30, 2011 and 2010 and December 31, 2010</u>	1
<u>Consolidated Statements of Income Three and Six Months Ended June 30, 2011 and 2010</u>	2
<u>Consolidated Statements of Equity June 30, 2011 and 2010</u>	3
<u>Consolidated Statements of Comprehensive Income Three and Six Months Ended June 30, 2011 and 2010</u>	4
<u>Consolidated Statements of Cash Flows Six Months Ended June 30, 2011 and 2010</u>	5
<u>Notes to Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	45
Item 4. <u>Controls and Procedures</u>	45

PART II. OTHER INFORMATION

Item 1. <u>Legal Proceedings</u>	46
Item 1A. <u>Risk Factors</u>	46
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	47
Item 3. <u>Defaults upon Senior Securities</u>	47
Item 4. <u>(Removed and Reserved)</u>	47
Item 5. <u>Other Information</u>	47
Item 6. <u>Exhibits</u>	48

<u>SIGNATURE</u>	49
------------------	----

Table of Contents

CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS

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

changes in pawn, consumer credit, tax and other laws and government rules and regulations applicable to the Company s business,

changes in demand for the Company s services,

acceptance by consumers, legislators and regulators of the negative characterization by the media and consumer activists with respect to certain of the Company s loan products,

the continued acceptance of the online channel by the Company s online loan customers,

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

fluctuations in the price of gold,

changes in competition,

the ability of the Company to open new locations in accordance with its plans,

changes in economic conditions,

real estate market fluctuations,

interest rate fluctuations,

changes in foreign currency exchange rates,

Edgar Filing: CASH AMERICA INTERNATIONAL INC - Form 10-Q

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

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

the ability to successfully integrate newly acquired businesses into the Company's operations,

the loss of services of any of the Company's executive officers,

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

the effect of any current or future litigation proceedings on the Company,

the implementation of new, or changes in the interpretation of existing, accounting principles or financial reporting requirements,

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

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

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

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

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

(Unaudited)

	June 30, 2011	2010	December 31, 2010
Assets			
Current assets:			
Cash and cash equivalents	\$ 48,375	\$ 46,708	\$ 38,324
Pawn loans	229,343	184,104	218,408
Consumer loans, net	160,371	115,295	139,377
Merchandise held for disposition, net	124,054	100,215	124,399
Pawn loan fees and service charges receivable	41,757	35,077	41,216
Income taxes receivable	3,598	-	-
Prepaid expenses and other assets	41,973	50,639	32,490
Deferred tax assets	32,560	25,035	28,016
Total current assets	682,031	557,073	622,230
Property and equipment, net	232,715	196,559	222,320
Goodwill	546,674	513,758	543,324
Intangible assets, net	28,638	25,853	31,188
Other assets	14,179	7,244	8,124
Total assets	\$ 1,504,237	\$ 1,300,487	\$ 1,427,186
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued expenses	\$ 86,565	\$ 75,058	\$ 96,465
Accrued supplemental acquisition payment	-	18,858	-
Customer deposits	10,440	9,535	9,146
Income taxes currently payable	-	9,150	888
Current portion of long-term debt	19,773	25,493	24,433
Total current liabilities	116,778	138,094	130,932
Deferred tax liabilities	92,979	46,016	56,792
Noncurrent income tax payable	2,638	2,166	2,408
Other liabilities	1,711	7,591	2,052
Long-term debt	431,734	374,044	432,271
Total liabilities	\$ 645,840	\$ 567,911	\$ 624,455
Equity:			
Cash America International, Inc. equity:			
Common stock, \$0.10 par value per share, 80,000,000 shares authorized, 30,235,164 shares issued	3,024	3,024	3,024
Additional paid-in capital	165,840	164,770	165,658
Retained earnings	705,502	583,660	644,208
Accumulated other comprehensive income	11,195	1,785	4,797
Treasury shares, at cost (942,722 shares, 881,003 shares and 685,315 shares at June 30, 2011 and 2010, and at December 31, 2010, respectively)	(33,492)	(27,031)	(21,283)
Total Cash America International, Inc. shareholders' equity	852,069	726,208	796,404

Edgar Filing: CASH AMERICA INTERNATIONAL INC - Form 10-Q

Noncontrolling interest	6,328	6,368	6,327
Total equity	858,397	732,576	802,731
Total liabilities and equity	\$ 1,504,237	\$ 1,300,487	\$ 1,427,186

See notes to consolidated financial statements.

Table of Contents**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME***(in thousands, except per share data)*

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenue				
Pawn loan fees and service charges	\$ 68,348	\$ 59,507	\$ 135,237	\$ 117,788
Proceeds from disposition of merchandise	130,293	113,850	290,954	255,733
Consumer loan fees	132,414	115,865	255,541	224,307
Other	3,197	2,859	7,725	7,315
Total Revenue	334,252	292,081	689,457	605,143
Cost of Revenue				
Disposed merchandise	79,275	70,417	178,852	160,362
Consumer loan loss provision	45,129	44,934	84,629	78,827
Total Cost of Revenue	124,404	115,351	263,481	239,189
Net Revenue	209,848	176,730	425,976	365,954
Expenses				
Operations	115,076	101,931	228,477	198,450
Administration	32,640	25,446	59,697	50,994
Depreciation and amortization	12,308	10,215	24,750	20,933
Total Expenses	160,024	137,592	312,924	270,377
Income from Operations	49,824	39,138	113,052	95,577
Interest expense	(5,831)	(5,406)	(11,442)	(10,863)
Interest income	20	151	42	159
Foreign currency transaction loss	(185)	(37)	(281)	(174)
Equity in loss of unconsolidated subsidiary	(32)	-	(36)	-
Income before Income Taxes	43,796	33,846	101,335	84,699
Provision for income taxes	16,551	12,935	38,303	31,737
Net Income	27,245	20,911	63,032	52,962
Net (income) loss attributable to the noncontrolling interest	(264)	(22)	327	(40)
Net Income Attributable to Cash America International, Inc.	\$ 26,981	\$ 20,889	\$ 63,359	\$ 52,922
Earnings Per Share:				
Net Income attributable to Cash America International, Inc. common shareholders:				
Basic	\$ 0.91	\$ 0.70	\$ 2.14	\$ 1.78
Diluted	\$ 0.84	\$ 0.66	\$ 1.99	\$ 1.67
Weighted average common shares outstanding:				
Basic	29,593	29,655	29,673	29,671
Diluted	31,994	31,665	31,828	31,701
Dividends declared per common share	\$ 0.035	\$ 0.035	\$ 0.070	\$ 0.070

See notes to consolidated financial statements.

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

(in thousands, except per share data)

(Unaudited)

	Common Stock		Additional	Retained	Accumulated	Treasury shares, at cost		Total	Non-controlling	Total
	Shares	Amount	paid-in	earnings	other	Shares	Amount	share-	interest	Equity
			capital		comprehensive			holders		
Balance at January 1, 2010	30,235,164	\$ 3,024	\$ 166,761	\$ 532,805	\$ 1,181	(933,082)	\$ (26,836)	\$ 676,935	\$ 6,264	\$ 683,199
Shares issued under stock-based plans			(5,969)			270,148	7,857	1,888		1,888
Stock-based compensation expense			1,885					1,885		1,885
Income tax benefit from stock-based compensation			2,093					2,093		2,093
Net income attributable to Cash										
America International, Inc.				52,922				52,922		52,922
Dividends paid				(2,067)				(2,067)		(2,067)
Unrealized derivatives loss, net of tax					(118)			(118)		(118)
Foreign currency translation gain (loss), net of tax					(771)			(771)	64	(707)
Marketable securities unrealized gain, net of tax					1,493			1,493		1,493
Purchases of treasury shares						(218,069)	(8,052)	(8,052)		(8,052)
Income attributable to noncontrolling interests								-	40	40
Balance at June 30, 2010	30,235,164	\$ 3,024	\$ 164,770	\$ 583,660	\$ 1,785	(881,003)	\$ (27,031)	\$ 726,208	\$ 6,368	\$ 732,576
Balance at January 1, 2011	30,235,164	\$ 3,024	\$ 165,658	\$ 644,208	\$ 4,797	(685,315)	\$ (21,283)	\$ 796,404	\$ 6,327	\$ 802,731
Shares issued under stock-based plans			(2,904)			94,982	3,008	104		104
Stock-based compensation expense			2,583					2,583		2,583
Income tax benefit from stock-based compensation			503					503		503
Net income attributable to Cash										
America International, Inc.				63,359				63,359		63,359
Dividends paid				(2,065)				(2,065)		(2,065)
Unrealized derivatives gain, net of tax					39			39		39
Foreign currency translation gain, net of tax					5,451			5,451	328	5,779
Marketable securities unrealized gain, net of tax					908			908		908
Purchases of treasury shares						(352,389)	(15,217)	(15,217)		(15,217)
Loss from noncontrolling interests								-	(327)	(327)
Balance at June 30, 2011	30,235,164	\$ 3,024	\$ 165,840	\$ 705,502	\$ 11,195	(942,722)	\$ (33,492)	\$ 852,069	\$ 6,328	\$ 858,397

See notes to consolidated financial statements.

Table of Contents**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME***(in thousands)*

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net income	\$ 27,245	\$ 20,911	\$ 63,032	\$ 52,962
Other comprehensive gain (loss), net of tax:				
Unrealized derivatives gain (loss) ^(a)	24	(11)	39	(118)
Foreign currency translation gain (loss) ^(b)	1,148	(5,126)	5,779	(707)
Marketable securities unrealized gain ^(c)	442	818	908	1,493
Total other comprehensive gain (loss), net of tax	1,614	(4,319)	6,726	668
Comprehensive income	\$ 28,859	\$ 16,592	\$ 69,758	\$ 53,630
Net loss (income) attributable to the noncontrolling interest	(264)	(22)	327	(40)
Foreign currency translation (gain) loss, net of tax, attributable to the noncontrolling interest	(96)	297	(328)	(64)
Comprehensive loss (income) attributable to the noncontrolling interest	(360)	275	(1)	(104)
Comprehensive Income attributable to Cash America International, Inc.	\$ 28,499	\$ 16,867	\$ 69,757	\$ 53,526

(a) Net of tax (provision)/benefit of \$(12) and \$5 for the three months ended June 30, 2011 and 2010 respectively, and \$(20) and \$63 for the six months ended June 30, 2011 and 2010.

(b) Net of tax (provision)/benefit of \$(298) and \$(70) for the three months ended June 30, 2011 and 2010 respectively, and \$(151) and \$556 for the six months ended June 30, 2011 and 2010.

(c) Net of tax provision of \$237 and \$441 for the three months ended June 30, 2011 and 2010 respectively, and \$489 and \$804 for the six months ended June 30, 2011 and 2010.

See notes to consolidated financial statements.

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	Six Months Ended June 30,	
	2011	2010
Cash Flows from Operating Activities		
Net Income	\$ 63,032	\$ 52,962
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	24,750	20,933
Amortization of discount on convertible debt	1,753	1,643
Consumer loan loss provision		