

Atlanticus Holdings Corp  
Form 10-Q  
August 15, 2016  
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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

For the quarterly period ended June 30, 2016

of  
ATLANTICUS HOLDINGS CORPORATION

a Georgia Corporation  
IRS Employer Identification No. 58-2336689  
SEC File Number 0-53717

Five Concourse Parkway, Suite 300  
Atlanta, Georgia 30328  
(770) 828-2000

Atlanticus' common stock, no par value per share, is registered pursuant to Section 12(b) of the Securities Exchange Act of 1934 (the "Act").

Atlanticus is not a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933.

Atlanticus (1) is required to file reports pursuant to Section 13 of the Act, (2) has filed all reports required to be filed by Section 13 of the Act during the preceding 12 months and (3) has been subject to such filing requirements for the past 90 days.

Atlanticus has submitted electronically and posted on its corporate Web site every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months.

Atlanticus is a smaller reporting company and is not a shell company.

As of August 5, 2016, 13,746,852 shares of common stock, no par value, of Atlanticus were outstanding. This excludes 1,459,233 loaned shares to be returned.

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ITEM 1. FINANCIAL STATEMENTSAtlanticus Holdings Corporation and Subsidiaries  
Consolidated Balance Sheets (Unaudited)  
(Dollars in thousands)

	June 30, 2016	December 31, 2015
Assets		
Unrestricted cash and cash equivalents	\$ 30,446	\$ 51,033
Restricted cash and cash equivalents	16,883	20,547
Loans and fees receivable:		
Loans and fees receivable, net (of \$20,348 and \$16,721 in deferred revenue and \$24,213 and \$21,474 in allowances for uncollectible loans and fees receivable at June 30, 2016 and December 31, 2015, respectively)	198,188	141,949
Loans and fees receivable, at fair value	5,255	6,353
Loans and fees receivable pledged as collateral under structured financings, at fair value	15,265	20,353
Rental merchandise, net of depreciation	588	4,666
Property at cost, net of depreciation	4,319	5,686
Investment in equity-method investee	8,351	10,123
Deposits	538	825
Prepaid expenses and other assets	20,475	19,194
Total assets	\$ 300,308	\$ 280,729
Liabilities		
Accounts payable and accrued expenses	\$ 60,544	\$ 51,722
Notes payable, at face value	103,611	90,000
Notes payable to related parties	20,000	20,000
Notes payable associated with structured financings, at fair value	15,626	20,970
Convertible senior notes	61,903	64,783
Income tax liability	22,490	22,303
Total liabilities	284,174	269,778
Commitments and contingencies (Note 9)		
Equity		
Common stock, no par value, 150,000,000 shares authorized: 15,209,198 shares issued and outstanding (including 1,459,233 loaned shares to be returned) at June 30, 2016; and 15,332,041 shares issued and outstanding (including 1,459,233 loaned shares to be returned) at December 31, 2015	—	—
Additional paid-in capital	210,837	211,083
Accumulated other comprehensive loss	—	(600 )
Retained deficit	(194,694 )	(199,524 )
Total shareholders' equity	16,143	10,959
Noncontrolling interests	(9 )	(8 )
Total equity	16,134	10,951
Total liabilities and equity	\$ 300,308	\$ 280,729

See accompanying notes.



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Atlanticus Holdings Corporation and Subsidiaries  
Consolidated Statements of Operations (Unaudited)  
(Dollars in thousands, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Interest income:				
Consumer loans, including past due fees	\$21,462	\$16,869	\$39,610	\$34,312
Other	60	10	152	42
Total interest income	21,522	16,879	39,762	34,354
Interest expense	(4,792 )	(4,529 )	(9,436 )	(9,086 )
Net interest income before fees and related income on earning assets and provision for losses on loans and fees receivable	16,730	12,350	30,326	25,268
Fees and related income on earning assets	5,878	12,751	13,765	25,970
Net recovery of charge off of loans and fees receivable recorded at fair value	6,140	9,991	11,051	20,363
Provision for losses on loans and fees receivable recorded at net realizable value	(10,811 )	(5,961 )	(15,542 )	(9,129 )
Net interest income, fees and related income on earning assets	17,937	29,131	39,600	62,472
Other operating income:				
Servicing income	981	1,390	2,428	2,950
Other income	75	92	145	359
Gain on repurchase of convertible senior notes	1,037	—	1,037	—
Equity in income of equity-method investee	325	707	1,327	1,782
Total other operating income	2,418	2,189	4,937	5,091
Other operating expense:				
Salaries and benefits	6,181	4,322	11,913	8,442
Card and loan servicing	7,285	9,608	16,273	19,879
Marketing and solicitation	932	332	1,787	818
Depreciation, primarily related to rental merchandise	2,099	9,961	6,255	22,807
Other	2,928	4,261	2,629	11,433
Total other operating expense	19,425	28,484	38,857	63,379
Income before income taxes	930	2,836	5,680	4,184
Income tax expense	(657 )	(1,440 )	(855 )	(822 )
Net income	273	1,396	4,825	3,362
Net loss attributable to noncontrolling interests	4	1	5	2
Net income attributable to controlling interests	\$277	\$1,397	\$4,830	\$3,364
Net income attributable to controlling interests per common share—basic	\$0.02	\$0.10	\$0.35	\$0.24
Net income attributable to controlling interests per common share—diluted	\$0.02	\$0.10	\$0.35	\$0.24

See accompanying notes.

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Atlanticus Holdings Corporation and Subsidiaries  
 Consolidated Statements of Comprehensive Income (Unaudited)  
 (Dollars in thousands)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	\$273	\$1,396	\$4,825	\$3,362
Other comprehensive income:				
Foreign currency translation adjustment	—	583	—	140
Reclassifications of foreign currency translation adjustment to consolidated statements of operations	300	—	600	1,535
Income tax expense related to other comprehensive income	—	(200 )	—	(519 )
Comprehensive income	573	1,779	5,425	4,518
Comprehensive loss attributable to noncontrolling interests	4	1	5	2
Comprehensive income attributable to controlling interests	\$577	\$1,780	\$5,430	\$4,520

See accompanying notes.

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Atlanticus Holdings Corporation and Subsidiaries  
 Consolidated Statements of Equity  
 For the Six Months Ended June 30, 2016 (Unaudited)  
 (Dollars in thousands)

	Common Stock		Additional	Accumulated	Retained	Noncontrolling	Total
	Shares	Amount	Paid-In	Other	Deficit	Interests	Equity
	Issued		Capital	Comprehensive			
				Loss			
Balance at December 31, 2015	15,332,041	\$	—\$211,083	\$ (600 )	\$(199,524)	\$ (8 )	\$10,951
Stock options exercises and proceeds related thereto	1,666	—	4	—	—	—	4
Compensatory stock issuances, net of forfeitures	122,134	—	—	—	—	—	—
Contributions from owners of noncontrolling interests	—	—	—	—	—	4	4
Amortization of deferred stock-based compensation costs	—	—	532	—	—	—	532
Redemption and retirement of shares	(246,643 )	—	(745 )	—	—	—	(745 )
Tax effects of stock-based compensation plans	—	—	(37 )	—	—	—	(37 )
Other comprehensive income	—	—	—	600	4,830	(5 )	5,425
Balance at June 30, 2016	15,209,198	\$	—\$210,837	\$ —	\$(194,694)	\$ (9 )	\$16,134

See accompanying notes.



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Atlanticus Holdings Corporation and Subsidiaries  
 Consolidated Statements of Cash Flows (Unaudited)  
 (Dollars in thousands)

	For the Six Months Ended June 30,	
	2016	2015
Operating activities		
Net income	\$4,825	\$3,362
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of rental merchandise	4,714	21,623
Depreciation, amortization and accretion, net	1,541	1,056
Losses upon charge off of loans and fees receivable recorded at fair value	3,361	3,050
Provision for losses on loans and fees receivable	15,542	9,129