PARTICIPANTS

Corporate Participants

Mark Trinske – Vice President-Investor Relations & Communications, EZCORP, Inc.
Stuart I. Grimshaw – Chief Executive Officer & Director, EZCORP, Inc.
Mark Ashby – Chief Financial Officer, EZCORP, Inc.

Other Participants

John Hecht – Analyst, Jefferies LLC
Henry J. Coffey, Jr. – Senior Research Analyst, Sterne, Agee & Leach Inc.
Bob H. Ramsey – Analyst, FBR Capital Markets & Co.
Vincent A. Caintic – Analyst, Macquarie Capital (USA), Inc.
Gregg Hillman – Analyst, First Wilshire Securities Management, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good day, good afternoon, ladies and gentlemen, and welcome to the EZCORP Strategic Plan Update Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session, and instructions will follow at that time. [Operator Instructions] As a reminder, this conference call is being recorded.

I would now like to turn the conference over to Mr. Mark Trinske, EZCORP's Vice President of Investor Relations. Sir, please go ahead.

Mark Trinske, Vice President-Investor Relations & Communications

Thank you, Michelle, and good afternoon, everyone. Joining me today are EZCORP's Chief Executive Officer, Stuart Grimshaw and our Chief Financial Officer, Mark Ashby. On today's call, Mr. Grimshaw will present an overview of our transformational strategic plan and then we'll open the call to your questions.

During his prepared remarks, Mr. Grimshaw will be referring to slides which are now available for download from our website at investors.ezcorp.com. A complete copy of the slide presentation was also filed as an attachment to our 8-K this afternoon.

Before we begin, I'd like to remind everyone that this conference call contains certain forward-looking statements regarding the company's expected operating and financial performance for future periods. These statements are based on the company's current expectations. Actual results for future periods may differ materially from those expressed or implied by these forward-looking statements due to a number of uncertainties and other factors including fluctuation in gold prices and the desire of our customers to pawn or sell their gold items, changes in the regulatory environment, changing market conditions in the overall economy and in the industry, and consumer demand for the company's services and merchandise. For a discussion of these and other factors affecting the company's business and prospects, please see our annual, quarterly or other reports filed with the SEC.

Now, I would like to turn the call over to Mr. Stuart Grimshaw. Stuart?

Stuart I. Grimshaw, Chief Executive Officer & Director

Thanks, Mark, and welcome everyone to the call. This is the first time I've been able to address you, so I'm looking forward to meeting many of you in person and talking to you over the next few days. What I'd like to do is start with and work through the investor pack as Mark outlined as to where you can download it. I'd work all the way through that pack and then Mark Ashby will have a few comments on the way through, and then we will take questions as Mark said.

So, if we firstly turn to page three, which really sets the scene for why did we want to look at the strategic review and the real takeaway as we looked at the performance of the business is, the strategy did not appear to be executed well and wasn't working well as you can see with the share price performance on the left-hand side of the chart, which I'm sure many of you are very well acquainted with.

But we've seen quite a decrease in the market capitalization of EZCORP over that period of time, while our competitors, First Cash and Cash America, have actually been able to accrete their market capitalization. And this is further borne out when we look at the net income and operating income on the right-hand side of that page, and you can see the slide that has occurred and certainly some of the acquisitions that we undertook in previous years didn't bear the fruit that we thought they would at the time of acquisition. And this has certainly impinged upon the reported net income results as we turn into negative $46 million in 2014.

Turning to slide four, we undertook quite a deep review of the business and we have two areas that we looked at quite closely, strategic success and financial success, and what does it take to succeed on both sides. And certainly looking at markets with attractive competitive dynamics, where there are few large players, reasonably fragmented, low regulation, strong economics, and stable to increasing demand, those sort of markets that we looked closely at and looked at our business within them. Then we looked at what are the core capabilities we have to take advantage of those markets. And principally around customer service and some of the capabilities we have on the Pawn businesses came out quite strongly.

And then we looked at what are initiates to win. And when we looked at competitive advantage, we typically looked at three levers being cost leadership, innovation, or customer service leadership. And clearly, where our skillset lies is in the customer service leadership area, and that is an area that we focused heavily on as to where we could leverage that to advantage.

But while leveraging it to advantage can be good, it's not any good unless we have financial success. And one of the things we're focusing clearly on is financial discipline. We're looking at the risk return; we're looking at generating returns greater than our weighted average cost of capital, greater than our cost of equity. And we'd looking to grow sustainable and consistent EPS growth.

So even to do both of those, you need to be out to execute. And we've started developing a very strong management team that has skilled, and has a really strong background in turnaround stories and restructuring. And this is a very large change project which I will walk you through, but without the bench strength it's going to be very difficult to achieve the outcomes. And we believe we have that bench strength.

So, turn to page five, we've focused on focus, simplify and optimize as the 3P challenges across the organization. So we're looking at focus, we're looking again at the strong strategic positions focused on the customer and look at the attractive markets. As we work though that, it was fairly clear to us that the US Financial Services business was a difficult one for us to actually achieve market leadership on, which I'll come to later on. So, decision was made as from tomorrow that we will no longer be writing payday, auto title or installment loans in the US, and we will be closing our US Financial Services.

That will mean, we'll focus on US Pawn, Mexican Pawn, and Grupo Finmart as our three key businesses, which we believe have strong growth potential. As we simplify the business model, we simplify the organizational structure, and we actually re-engineer key processes, that will drive cost savings and efficiency improvements, which will lead to enhanced customer experience and enhanced employee satisfaction.

And with the optimize, it's going back to the financial discipline that we know on investments and acquisitions, and looking again, and ensuring that the returns are greater than our cost of equity and our weighted average cost of capital.

You turn to page six, we're actually looking at the new vision, which is to be the market leader in North America within three years, and responsibly and respectfully meeting our customers' desire for access to cash when they need it. And there are four key imperatives which underpin the vision, which is market leading customer satisfaction, exceptional staff engagement, attractive returns to shareholders, and being the most efficient provider of cash to our customers.

What we've underlined there is the measures by which we are going to hold ourselves accountable to. With the Mystery Shopper results, which we are piloting the program now and being the number one in the Net Promoter Score versus our peers.

Under staff engagement, we're looking for low turnover rate and by that, when we look at some of our turnover statistics in US Pawn, we have a 50% turnover rate for team members and 20% of store managers. In Mexico – in Mexican Pawn, the store is fairly similar, although the store manager level, it is as high as 34%. And within Grupo Finmart that is 24%. And we are looking to lower those as we know that the value is in the store level and we need to increase the tenure of our store managers.

In the returns to shareholders, EPS growth and enrich ROE above the cost of equity. And obviously most efficient provider of cash, we're looking at the cost to income ratio as well as time to cash. And we are now, in Grupo Finmart, 65% of loans are actually cash in hands of the customer within day one.

So how do we look at the businesses? As we go down to slide seven, we actually went through a screenshot of what we've sort of tried to compress as our overall strategic assessment. We looked at the demand for products, the competitive dynamics, the regulatory environment, the strength of strategic position, which is being top-three player by size, customer satisfaction, and our capabilities. As you look across that chart, the one does standout quite notably is US Financial Services.

We – the competition is very tough. The regulatory impacts, as many of you know, is extremely tough and the regulatory impact is increasing and our strategic position is quite weak. We don't have the scale in order to compete in what is going to be a scale market and which a number of our competitors are there already. So the decision to close USFS and look closely at supporting those three key businesses evolved from the assessment that we're showing on slide seven.

On slide eight, touch on why it was appropriate in our view to close the USFS business, which was driven by regulation and competitive pressures and our own capability. If we look at the regulation, there is no doubt that the CFPB initiate the regulations that they've outlined that is going to be detrimental to the industry as a whole. In fact some of the experts have suggested that the revenues in the industry will drop by up to 60%.

We are seeing, in Texas, city ordinances are being introduced quite regularly. We've had five already in 2015 and there is one going to the senate next week. At a number of states, they've actually introduced regulations which also impinge upon our ability to operate. In terms of competition, we are sub-scale. We are number six. The regulation always drives consolidation from what I've experienced and you require scale to succeed, and a number of our competitors are better positioned than we are in this space.

We would have to invest quite heavily to reestablish capability in this business. And when we looked at the opportunities to deploy capital across all of our businesses, the returns were better in the three key businesses that we're focusing on. So the strategic rationale falling out of that is we knew that the returns will continue to decrease and probably accelerate. The close option was the only optimal option and will allow us to focus capital into areas where we can get a greater return.

Slide 9 runs through just that. We look at the solid foundations for success in the three areas that we outlined previously. In US Pawn, we are number two in terms of stores. We are very well positioned in a market which is very highly fragmented, but we believe we have very strong organic growth opportunities to increase our market share. Customer satisfaction is strong. And now with Joe Rotunda back leading it, we have great experience at the top to actually continue to drive and increase capabilities through our stores.

Mexican Pawn has been a good story as many of you are aware. There is strong underlying demand in that market. And there has been a movement to a large store format, which we are well positioned to benefit from. Customer satisfaction is also very strong in that market, and we are improving our metrics through all of our stores.

Grupo Finmart again is an attractive market. We are probably number three, but we're seeing growth in originations of greater than 30% across all our competitors. So, there's still a fair bit of upside in that industry to go. The customer satisfaction they measure regularly is quite high, which we'll show you in the next page, and there is strong sales capabilities in that area. However, we do need to invest in the processes and systems to solidify the platform there.

Page 10 runs through the customer satisfaction, the Net Promoter Scores of these businesses. There is some work still to do on making sure we have a relative measure rather than an absolute measure in some of these areas that'll give you a sense that certainly in US Pawn, we aren't far away from the leader in that area. Mexico Pawn is one where it is difficult to see where we are unless we can actually compare ourselves against the other, which we will continue to report on. And the same holds for the Grupo, having said that, a plus 48 Net Promoter Score is an extremely strong score in any industry in which we operate.

On slide 11, we try to deconstruct what it will take to win in the customer satisfaction areas, and we look at the marketing and customer area, which is the customer experience and the use of analytics. Systems and processes is just being efficient and effective and an end-to-end experience. The store and field Staff is again making sure we have tenured people in the stores because that is where it all happens. And the presentation is such that the clients feel as though they're coming into a welcoming environment, be it physical and also the emotional side with the quality of our staff.

On slide 12, we try to outline what does that mean in terms of where our investments go. We've indicated there that we'll invest on average $15 million per annum in CapEx across these four key leaders and what we've done on that slide is outlined where some of those investments are, such as the advanced data warehouse where we need to clean our data and get single view of customers, so we can look at customer profitability products per customer and the sort of analytics we need to drive the business forward.

Under the systems and process, I've touched on the investment we need in Grupo Finmart to stabilize that platform, and the point of sale technology coupled with broadband will allow to access all the information that we have on the customers as well as react very quickly to the way we deal with them. Under the store and field office staff, workforce management is a primary way we can actually manage the timing of staff in the stores to match the demand of our customers. At the moment, we are not – haven't got that sophistication. But with that, we believe, that we'll drive strong revenue benefits to the store as we match demand to talent.

And just under the store and field, as we continue to completely revitalize the stores. Page 13, I think gives you a sense of complexity that we've put into our business as we've expanded. Not only have we had administrative costs in the businesses, we have administrative costs at the head office which is a tremendous amount of duplicative effort and also a very costly way to do business. And we couldn't see how we could be – meet our customers' needs under the current operating model.

When you look to the future operating model, what we've done is, run a highly centralized shared service function where the business is focused solely on the customer, and they're not distracted by dealing with some of the administrative burden that goes with having a head office around you.

I'll pass over to Mark Ashby to run through the next two slides and then come back and wrap up. So, across to you, Mark.

Mark Ashby, Chief Financial Officer

Thanks, Stuart. If you turn to slide 14, this gives you an indication of the cost savings that we expect in overhead, annualized within three years from now. The first two boxes, the $12 million savings from closing in the USFS business and the $9 million in net D&A savings, clearly, you would expect those to be a bit more front-ended than in three years down the track. The USFS closure and just to emphasize, we're really just talking about direct overhead of that business, obviously these is other operating cost in stores and in regional management which will close as a result of the close of the business. But, the direct overhead itself we expect that to reduce by $12 million very rapidly.

The $9 million in D&A savings, that is after allowing to the capital investment that was referred to two slides previous. So, we're anticipating a $15 million per annum average CapEx spend. Obviously a lot of that is IT, when you look at the component tree, so the depreciation schedule is relatively short by cycle. So we will, we expect to see a net improvement over the three years of $9 million per annum, but again that is front ended.

The $13 million comes primarily from the previous slide where we look at the way we're running the business, moving to a centralized structure creates opportunities where there's a lot of duplication in the current environment. The opportunity to review all expenses that the company incurs by introducing a procurement function within the business, which has not been there in the past and to be able the tender a lot of the major services that we have. And also by putting – and to re-emphasize what Stuart said, the financial disciplines back in the business to ensure where we're spending money is fruitful and a good investment. So we expect over the three-year period to be saving $13 million per annum.

If I turn to page 15, there are some costs we're going to need bear in the short-term and also probably over the first quarter or so of the next fiscal year. If we look at the components, we're looking at write-downs and write-offs charges of around $75 million to $85 million, and obviously that will firm up over the last quarter as we get a better understanding of the success of some of the negotiations where we exit stores and the like.

The pre-tax cash impact we estimate at somewhere between $20 million to $25 million of that, and the post-tax cash impact is a lot lower at $5 million to $10 million, and obviously that comes in over a period of time as we can claim the tax deductions on some of these costs. The post-tax cash impact is lower because of the benefits to some of the write-offs that we're putting in the place, which are non-cash, and we get a tax cash benefit from it. Just to be a reference, in pages 16 and

17 of the 8-K, there is a little bit more detail of how that's split across USFS and the rest of the business.

Stuart I. Grimshaw, Chief Executive Officer & Director

Thanks, Mark. Turning to slide 16, which is just a summary of really what we are. We think this is a very clear and focused strategy where we are actually focusing on businesses in very attractive markets with strong strategic positions, capabilities, and growth prospects. We're going to change the operating model and business structures to ensure that it supports the execution of the strategy. We're going to invest in technology. The return on investments are going to be focused upon generating above our cost of equity. And we're going to deliver consistent growth in earnings per share over the long term.

In essence, we'll focus on fewer businesses, simplify our structure, reduce costs and optimize returns from these businesses. So with that the summary, I'd like to pass it over now for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you, Mr. Grimshaw. [Operator Instructions] Our first question comes from the line of John Hecht with Jefferies. Your line is open. Please go ahead.

<Q – John Hecht – Jefferies LLC>: Yes, good afternoon. Just looking at your – the financial results that you put out in the press release, one quick question that comes is, the Latin American consumer finance revenues, it looks like you changed them historically in this quarter. I'm wondering is that related to the accounting review or how should we think about that change from a financial reporting perspective?

<A – Mark Ashby – EZCORP, Inc.>: That, I don't think there is any actual change. Obviously the TUYO business has been a little bit affected and also we've put constant currency in there, just so you can actually have a reflection of the comparison to how it traded against last year.

<Q – John Hecht – Jefferies LLC>: Okay. If I look at when they reported last year, the consumer finance revenues in Latin America were much higher than they were this year. They were – consumer loan fees in Latin America were $14.3 million last year, and in the recent report they're $52,000. I'm just wondering, is that related to the accounting review that you're doing before you resolve that?

<A – Mark Ashby – EZCORP, Inc.>: Yes. It's actually because we're not reporting any of the Grupo Finmart financials. So that's...

<Q – John Hecht – Jefferies LLC>: Okay. That's what I was asking.

<A – Mark Ashby – EZCORP, Inc.>: It's [ph] actually the TUYO (20:58).

<Q – John Hecht – Jefferies LLC>: Okay. So, – I see – so once you get that result, we'll see that.

<A – Mark Ashby – EZCORP, Inc.>: Yes, correct.

<Q – John Hecht – Jefferies LLC>: And second question is, on the $35 million of cost saves, what are you guys looking as the net revenue you're going to be losing out on an annual basis, kind of maybe over the last four quarters from the disposition of these businesses?

<A – Mark Ashby – EZCORP, Inc.>: As in the – if you're talking about the closure of USFS and the timeline?

<Q – John Hecht – Jefferies LLC>: Yes, the US consumer finance business, what was the net – where the net revenues, what were the net revenues of that segment? Are the net revenues larger or smaller than that $35 million in cost saves you're looking to get over the next three years?

<A – Mark Ashby – EZCORP, Inc.>: The net revenues are significantly higher than the $35 million, but if you take – by the time you take out the store operating costs, cost of the regional management and the rest of the structure, it's basically breakeven. So, what you'll find is that that $35 million is actually a net benefit as we go forward.

<Q – John Hecht – Jefferies LLC>: I see. And at what point does that breakeven occur, is that over the next three years, or is it on the frontend or at the tail end of that in your mind?

<A – Mark Ashby – EZCORP, Inc.>: If I'm understanding your question correctly, John, it's Mark here. What we expect is we cut and we deal with USFS this year, so financially it's gone. There's a little bit of tail into next year in terms of some of the restructuring costs, but that's relatively minor. It's a couple of million dollars. So as we look forward, what we've got is the remaining businesses and the reduction in cost on the remaining businesses, you've got the $30 million in the – from the savings from the structural change and from the procurement change, and also the effect of the D&A. We expect that also to be flowing forward $9 million. So, if – hopefully, that gives you some sort of guidance as to where we're thinking at this point.

<Q – John Hecht – Jefferies LLC>: Okay. Great. Thanks for the clarification and for the color.

<A – Mark Ashby – EZCORP, Inc.>: Thanks, John.

Operator: Thank you. And our next question comes from the line of Henry Coffey with Sterne, Agee & Leach. Your line is open. Please go ahead.

<Q – Henry Coffey – Sterne, Agee & Leach Inc.>: Yes. Good afternoon and thank you for taking the time to put all this together. In simplistic terms, can I take the US revenue data that you gave us previously, the US, the Latin American revenues that we have here, assume that you don't make any money at Grupo, make some guesses about overhead, take out corporate, and get a sense of what the business looks like today?

<A – Stuart Grimshaw – EZCORP, Inc.>: Henry, you could do that.

<Q – Henry Coffey – Sterne, Agee & Leach Inc.>: What would be wrong in that approach in terms of just trying to assess what you're looking...?

<A – Stuart Grimshaw – EZCORP, Inc.>: We don't reconstruct our P&L, so we actually – your assumptions are your assumptions; we don't provide the granularity in the market at this stage. What we'll be doing into the future is obviously reporting by division, which will make it easier to get to that deconstruct model you want. But at the moment, we're doing it by geography, so that's actually information probably a bit too granular for what we are able to release.

<Q – Henry Coffey – Sterne, Agee & Leach Inc.>: And then in terms of, you've got your $35 million of projected cost savings. I assume from that same model or by just zero out the payday revenues or the loan fees, that I pretty much will get – again, I realize I'm jumping ahead, but I'll get a sense of what the business should look like?

<A – Mark Ashby – EZCORP, Inc.>: I would probably suggest, subject to what Stuart says, that you probably – I know you need to do some modeling, but when the Grupo numbers come out, that will add a different dimension to this.

<Q – Henry Coffey – Sterne, Agee & Leach Inc.>: [indiscernible] (24:55) But, are they going to be out before tomorrow morning when we all have to respond to our investors?

<A – Stuart Grimshaw – EZCORP, Inc.>: No, it won't be.

<Q – Henry Coffey – Sterne, Agee & Leach Inc.>: Right. We're not into reporting – you don't get to wait. So, the next set of issues is, you had the buy/sell business that came out of Australia.

<A – Mark Ashby – EZCORP, Inc.>: Yes.

<Q – Henry Coffey – Sterne, Agee & Leach Inc.>: Is that surviving this process?

<A – Mark Ashby – EZCORP, Inc.>: We've shut down the Canadian stores. There are four Canadian stores. There are still seven in the US that are operational, so it's quite minor. And there are four in Mexico. So, it's a very minor investment in the Cash Converters stores here in North America.

<Q – Henry Coffey – Sterne, Agee & Leach Inc.>: So you just keep it going or if you don't, it won't matter that much?

<A – Mark Ashby – EZCORP, Inc.>: Yes, it's not going to move the dollar too much. So we are just looking at that like we're the others saying, well, it's interesting. We've just got to see whether there is a potential to actually expand it further.

<Q – Henry Coffey – Sterne, Agee & Leach Inc.>: There have been some – I mean the two things that have hurt this stock a lot are, some of the issues that you've described, the ineffectiveness of the acquisitions and some other things, the shrinking of the Pawn – of the payday business, and the turnover, et cetera, et cetera. Also the behavior of your control shareholder has weighed heavily on people; even some recent items that we highlighted in the note. I was wondering what you could comment on regarding that?

<A – Stuart Grimshaw – EZCORP, Inc.>: Well, any comment about the controlling shareholder, you'd probably have to ask him. But, we believe that the strategy that we've outlined will actually deliver value to the shareholders. And I think...

<Q – Henry Coffey – Sterne, Agee & Leach Inc.>: Right, I think you're heading down the right path. There's no question about that.

<A – Stuart Grimshaw – EZCORP, Inc.>: And I don't see the – I certainly don't see the controlling shareholder being an issue here, because the strategy we've got I think is a very logical one and easily understood.

<Q – Henry Coffey – Sterne, Agee & Leach Inc.>: No question at all. What about buyback, buying back stock, et cetera? Your stock is way below book value and...

<A – Stuart Grimshaw – EZCORP, Inc.>: Yes, now it's – we look at all capital management opportunities. But we also look at ways that we can actually enhance the value of the business as well. And buying back shares is certainly one option, but also looking at growing potential in our core key businesses where we think we can grow at a faster rate and generate great returns is the trade-off actually, Henry. So, we're not saying never, but we actually look at those trade-offs quite regularly.

<Q – Henry Coffey – Sterne, Agee & Leach Inc.>: And I got on the call a couple of minutes late. Did you give us any sense of when to expect your Qs coming out?

<A – Mark Ashby – EZCORP, Inc.>: No, we didn't give a sense, but in the -

<A – Stuart Grimshaw – EZCORP, Inc.>: In the 8-K, we did reference the fact that we're confident that it will be done before we get into any default on any loan structures or any NASDAQ compliance issues are faced.

<Q – Henry Coffey – Sterne, Agee & Leach Inc.>: And you may not be able to ask this, but I've had a couple of investors ask for help in quantifying, even upon on a historical basis, what was the balance sheet investment in Grupo that could be at risk? Can you give us some numbers? It's hard to find stuff in the Qs and Ks that give you good guidance, but...

<A – Stuart Grimshaw – EZCORP, Inc.>: I don't think the investment would be at risk. The – and just to reiterate, these are actually non-cash issues as well; they are accounting issues.

<Q – Henry Coffey – Sterne, Agee & Leach Inc.>: Yes, we know all that stuff.

<A – Stuart Grimshaw – EZCORP, Inc.>: Yes. No, we don't believe there'd be any investment issue in investment in Grupo at all.

<Q – Henry Coffey – Sterne, Agee & Leach Inc.>: So, the carrying value of Grupo and the balance sheet value of those assets, you don't think is at risk?

<A – Mark Ashby – EZCORP, Inc.>: It shouldn't be.

<Q – Henry Coffey – Sterne, Agee & Leach Inc.>: Okay, that's helpful. Thank you very much for taking the time.

<A – Mark Ashby – EZCORP, Inc.>: Thanks, Henry.

<Q – Henry Coffey – Sterne, Agee & Leach Inc.>: I know we're going to talk later. Bye, bye.

Operator: Thank you. And our next question comes from the line of Bob Ramsey with FBR Capital Markets. Your line is open. Please go ahead.

<Q – Bob Ramsey – FBR Capital Markets & Co.>: Hey, good afternoon.

<A – Mark Ashby – EZCORP, Inc.>: Hi, Bob.

<Q – Bob Ramsey – FBR Capital Markets & Co.>: I appreciate the color on the Cash Converter stores. I'm curious to what the view is on the Australian Cash Converter stock that you all own, particularly in the view of simplifying organizational structure and exiting regulatory risk related businesses?

<A – Stuart Grimshaw – EZCORP, Inc.>: It's a good question; It's one that we do look at. As you're more than aware, Bob, the currency has impacted on that investment as well. And certainly some of the most recent litigation cases have played on the value. But, we still think there is value in that stock. We actually do learn a lot through both their technology and marketing, so there is a sort of knowledge sharing going on. But, we're also very much aware that, as an asset on the balance sheet, that it has lost some value over the past 12 months. And we are looking at it, but in terms – are we going to do anything about it? Not at this point of time.

<Q – Bob Ramsey – FBR Capital Markets & Co.>: Okay. And then sort of circling back to the US Financial Services business. If I understood your answer to John Hecht's question correctly, you basically are saying that that business today operates breakeven, and that the loss in that revenues will be offset by the costs that come out it, is that correct?

<A – Stuart Grimshaw – EZCORP, Inc.>: In the last quarter, it has been breakeven, and it was profitable in the first half. So the second half of this year would be is a breakeven to a loss result in that area, if we project it forward. And that's principally driven by the ordinance structures that have been coming in through Texas where we are, 70% of our stores are. And that has caused a detrimental in the revenue; as the ordinances come in, we actually start to see an increase in bad debts as well. So that played again us in those markets.

<Q – Bob Ramsey – FBR Capital Markets & Co.>: Okay. And when you think about the costs that come out by closing the stores, are you all then putting the full allocation of the real estate occupancy expense in your store within the stores on to the pawn shop, and not sort of looking at cost allocation accounting? Because I guess you don't save anything in the pawn shop rent if you close the store within a store.

<A – Stuart Grimshaw – EZCORP, Inc.>: The pawn shops will assume the space in the store within a store. So, that'll be fully costed into the pawn. And then we're going through the stores outside of that. We'll be going through each individual lease looking at what that actually means and whether there is a long tail or a short tail that we can utilize.

<Q – Bob Ramsey – FBR Capital Markets & Co.>: Okay. And then, I guess I can understand the markets that have been hit by the city ordinances and not making money. It doesn't make sense to stick there. But, in other markets, which you've got a lot of stores that are outside of those city ordinances – EZ's management historically has always talked about how these stores have the highest returns on equity, returns on invested capital, of any business that EZCORP was in. And so, I'm curious if the decision to exit even in other markets where you're not at risk today, is that a reflection of the outlined rules from the CFPB? Is that a reflection of the negotiation process with the CFPB with the CID, or what has changed outside of those ordinance markets?

<A – Stuart Grimshaw – EZCORP, Inc.>: I mean, most financial services firms do have high ROEs where you can use a bit of leverage and the returns are good. What we've done is we've looked for – we don't substantial scale. To win in this business, you need a lot more scale than what we have now, particularly when we have the regulatory impact coming at us.

And the ROE on this business has been declining quite steadily. So, if you look to the ROE, if you took the pre-corporate overheads, it's probably a reasonably attractive ROE business. But, I can shrink profit and shrink my E and still get a good ROE, but I've got a shrinking business. So, you've got to look at a number of measures rather than just an ROE measure to make the determination of this is a business we want or we don't want. But, having said that, once you overlay your corporate overhead structure into that business, it actually gets down to very low – particularly in this current format, very low single-digit ROE numbers.

So, we looked at multiple things, not just ROE, Bob, to come to this conclusion, as we tried to outline on the way through. And certainly the headwinds of CFPB is one of the issues that comes into it, but there are a number of other issues around scale and capability as well.

<Q – Bob Ramsey – FBR Capital Markets & Co.>: Okay. And I guess, as I understand it, you all said effective tomorrow there will be no more consumer loans made out of your consumer loan stores, your pawn – I mean, obviously you make pawn loans, but not consumer loans out of your pawn stores anywhere. Is that correct?

<A – Stuart Grimshaw – EZCORP, Inc.>: Correct. We'll be a pure pawn player in the US as opposed to some of our competitors.

<Q – Bob Ramsey – FBR Capital Markets & Co.>: Okay. Do you have any thoughts on the CID and the status of where you guys stand with that?

<A – Stuart Grimshaw – EZCORP, Inc.>: No. At this stage, we'll obviously be talking to them and we don't have any clarity on that at the moment.

<Q – Bob Ramsey – FBR Capital Markets & Co.>: Okay. And as you – I know you highlighted you guys really are focused on earning a return on capital that exceeds your cost of equity. In the past, EZ has talked about a 15% hurdle. Is that still the right number or have you all sort of reassessed what that line?

<A – Mark Ashby – EZCORP, Inc.>: Well, when we've just had a look at it, it's around 13%.

<Q – Bob Ramsey – FBR Capital Markets & Co.>: Okay. And then last thing, and I'll hop back out. But just sort of on the subject of corporate governance, follow-up on Henry's questions. Last April, the company announced that it had formed a Corporate Governance Committee of independent directors. With the changes in the Board, I think that sort of fell by the wayside. But, in

July, the former management team said that a permanent Corporate Governance Committee was still absolutely a goal of the Board. Could you tell me where we stand with that today?

<A – Stuart Grimshaw – EZCORP, Inc.>: Yes, we'll be reconstituting that. I think it'd be fair to say that, with the noise, we haven't actually had a meeting of the governance committee, but we were actually only talking about it two days ago. So, that will be probably initiated in the next week, actually. So, your question is very timely.

<Q – Bob Ramsey – FBR Capital Markets & Co.>: Great. Glad to hear that. And then, I guess sort of along that line, the consulting agreement with Selene Partners. While it's not exactly a related party transaction, it still sort of seemed familiar, if you will. I guess what was sort of the Board's view in reviewing that without a Corporate Governance Committee, but the Board overall sort of saying, look, this is something that we're comfortable doing, knowing that it's sort of a sensitive area for many investors?

<A – Stuart Grimshaw – EZCORP, Inc.>: Yes. I mean, the contract actually involves one individual who actually has very strong actuarial and financial skills who helps us with – particularly when we're looking at our Pawn business. And it's really – and to be honest, Bob, it's not a lot of money, but I understand the question, the nature of the question. But, I'd say the Board is very strong on acknowledging that potential conflict, as you have looked at. And the Audit Committee actually did the full sign-off on that prior to getting Board approval.

So, it went through quite a rigorous review process for a contract which is quite minor. Just to give you some comfort, it wasn't just passed through. The other thing that we're looking at as well, which I should have mentioned is that we have a CRO, Chief Risk Officer, and the Audit Committee will be expanded to an Audit and Risk Committee for further governance over the business. So, I'm trying to give you a bit of comfort that there is a strong governance process that does exist through the business and we're adding more stringency into that.

<Q – Bob Ramsey – FBR Capital Markets & Co.>: Okay. All right. I'll hop out. Thank you.

<A – Stuart Grimshaw – EZCORP, Inc.>: Thanks, Bob.

Operator: Thank you. And our next question comes from the line of Vincent Caintic with Macquarie. Your line is open. Please go ahead.

<Q – Vincent Caintic – Macquarie Capital (USA), Inc.>: Hi. Good afternoon, guys. Thank you.

<A – Stuart Grimshaw – EZCORP, Inc.>: Hey, Vincent.

<Q – Vincent Caintic – Macquarie Capital (USA), Inc.>: Thank you. Yes. Hi. Just a couple of questions on my end. With this being a far-ranging strategic update, wanted to get a sense of if anything in the funding structure is changing and if you have the buy-in of the revolver and debt, guys?

<A – Stuart Grimshaw – EZCORP, Inc.>: No, nothing. All remains the same.

<Q – Vincent Caintic – Macquarie Capital (USA), Inc.>: Okay, great. And then, on the sale of the US Financial Services business, or actually the shutdown, is this going to be a sale, so can you get proceeds out of this or is it you're just kind of shutting down operations?

<A – Stuart Grimshaw – EZCORP, Inc.>: We're shutting down operations. Obviously, we're going to be collecting the book on the way through. There's cash sitting in all the branch structures as well. And there are a few opportunities that we believe will come up once we've done the announcement. We are aware that the CFPB uncertainty actually does hinder a sale process due to – purely due to the uncertainty that people will be prepared to go in this. So, at this stage, we're working to – we're doing a wind down, as you can see on the Slide 15. And the post-tax cash impact is actually reasonably light for a business of this size.

<Q – Vincent Caintic – Macquarie Capital (USA), Inc.>: Great. Got it. Okay. And then, in terms of the, your perspective of the pawn industry generally, could you describe how the competition is, how the opportunity set is just industry-wide? And in particular, I've been getting questions about gold price impact on the Pawn business, and if you could give some color there? Thanks.

<A – Stuart Grimshaw – EZCORP, Inc.>: I mean the gold price is a big determinant with jewelry being such a – it's a large component of our business. I mean the Pawn business is an interesting one, because you've really already three listed companies in there, in the plus to 12,000 pawn stores, of which the three listed companies account for around 1,500 stores. So, it's a very fragmented industry, which in itself is an interesting business to play in. We believe that, obviously, when you have scale in this business, you have capital benefit as well as I suppose pricing benefit, due to the doors that you do have in certain areas.

We like the fact that it's a customer business and it's a local business. Most of the pawn stores capture within three miles of the store, and the store manager really is the hero and the one who makes it. So, the dynamics are really good for us and we do like it.

In terms of the gold, obviously what it does do is this impact it has on the scrapping as well as the loan values that we'd principally have. So, you'll see some natural shifts in the income line as a result of the shift in the gold price. Having said that, it's just as – I've seen reports pricing gold down a long way further and I've seen some reports have it stabilizing. We know gold has traditionally been a cyclical business, so what you're seeing is a lot of focus on us as how do we look at our general merchandise in terms of pawn lending. And you'll see that some of our transactional volumes will start to improve as general merchandise becomes a larger part of the business. But, we still think that pawn is a very good business to be in. And gold is just a part and parcel of existing in this business.

<Q – Vincent Caintic – Macquarie Capital (USA), Inc.>: Got it, great. Thanks much, Stuart.

<A – Stuart Grimshaw – EZCORP, Inc.>: Thanks, Vincent.

Operator: Thank you. And our next question comes from the line of Gregg Hillman with First Wilshire Securities Management. Your line is open. Please go ahead.

<Q – Gregg Hillman – First Wilshire Securities Management, Inc.>: Yes, good afternoon. Stuart, in your strategic review, what was your sense of what the long-term organic growth would be for Pawn, in terms of like pawn books?

<A – Stuart Grimshaw – EZCORP, Inc.>: Yes. Thanks, Gregg. I think what we've said in there is and you can read it pretty well. Most of the competitive – most of the people in this market think that pawns are like a 0% to 2% to 3% growth business sort of in the short medium term. We believe that with what we're doing, we will outperform that. And we've said that how we will sort of improve and increase our market share through organic opportunities, which we've outlined around point-of-sale technology. Well, we're of course planning and try and drive above market growth.

<Q – Gregg Hillman – First Wilshire Securities Management, Inc.>: Okay. And then for the – thank you. For the cost of, how much has the cost of restatement been to date for both outside consultants and outside accounting firms?

<A – Stuart Grimshaw – EZCORP, Inc.>: Well, we haven't disclosed it, but we will. But, I know it won't surprise you, but it changes and increases every day. We haven't disclosed that, but we will.

By the time we get through it, we'll actually clearly indicate that outcome. So that you can put it through your model.

<Q – Gregg Hillman – First Wilshire Securities Management, Inc.>: Okay. And then in terms of winding that down, I take it that that outside cost should wind down in the December quarter, the fourth quarter of this calendar year. Is that correct? Like, this should be like high in this quarter that we're in right now, but it should wind down the following quarter. Is that a good assumption?

<A – Mark Ashby – EZCORP, Inc.>: That's a good assumption.

<Q – Gregg Hillman – First Wilshire Securities Management, Inc.>: Okay. And then in your recent 8-K on that subject, you indicated you might have to go back, take more allowances for Grupo Finmart and that might cause you to restate 2013 or others, past year's. Is that going to be a serious item? Is that a big deal or do you consider that would be like a relatively minor impact when it finally comes in?

<A – Mark Ashby – EZCORP, Inc.>: We're still working through it, but we're just being conservative and putting it out there that this could occur. But at this stage, we're not advanced enough to actually fully answer that question.

<Q – Gregg Hillman – First Wilshire Securities Management, Inc.>: Okay. But you made major progress in terms of you settled the major theoretical accounting issues and what's left is book keeping and auditing, is that correct?

<A – Mark Ashby – EZCORP, Inc.>: Right. That's correct. So, now it's getting to do the hard yards of reallocating and realigning.

<Q – Gregg Hillman – First Wilshire Securities Management, Inc.>: Okay, okay. And then finally, moving to Grupo Finmart. Could you describe the current marketing efforts going on in Grupo Finmart and whether – and also how you're going to fund growth in that division? Are you going to fund growth through securitizations on a go-forward basis, or how would you fund growth?

<A – Mark Ashby – EZCORP, Inc.>: At the moment, Gregg, most of it's done by securitizations. That's the easiest and cleanest way to do it. It's quite an accepted model of funding in that market. But, we are actually looking at other opportunities, so that we can diversify our funding source. And obviously, the strength of – we are still originating quite strongly and also increasing our penetration into the [ph] conveners (44:40). Diversifying the funding sources is actually quite a critical success factor for us, so that we don't get solely reliant on one particular source.

<Q – Gregg Hillman – First Wilshire Securities Management, Inc.>: Okay. So, securitizations will be part of the future for that business?

<A – Mark Ashby – EZCORP, Inc.>: Yes, that's right.

<Q – Gregg Hillman – First Wilshire Securities Management, Inc.>: Okay. And then just – and I take it, so the book is still growing in that business?

<A – Mark Ashby – EZCORP, Inc.>: Yes, that's correct.

<Q – Gregg Hillman – First Wilshire Securities Management, Inc.>: And are you adding head count for the marketing department? Are you increasing your marketing efforts?

<A – Mark Ashby – EZCORP, Inc.>: No, not at the moment. And we're still originating close to 30% per annum in originations this year, so it's still a firm growth. But, we haven't increased staffing in that area. And we do go through brokers and distributors as well as our own direct force. So there are three channels and we are the only vertically integrated operator in that market.

<Q – Gregg Hillman – First Wilshire Securities Management, Inc.>: And are you doing efforts to improve collections for that business?

<A – Mark Ashby – EZCORP, Inc.>: Yes, we're looking at all those areas, Gregg. As we outlined the full automation of that process, enhancing the skill base in there is very much on the agenda, as we want to we want to make sure that as the market grows we have the most solid platform to take advantage of that.

<Q – Gregg Hillman – First Wilshire Securities Management, Inc.>: Okay. And to date, do you have the address, the proper address for all the people that you have loans out to right now?

<A – Mark Ashby – EZCORP, Inc.>: Don't know...

<A – Stuart Grimshaw – EZCORP, Inc.>: I couldn't answer that question... I'm going to ask that – we know where they work, but I'm sure the address would be in there. But it's probably a little bit too much detail for me, but I can certainly get back to you on that.

<Q – Gregg Hillman – First Wilshire Securities Management, Inc.>: Yes, their home address, okay, fine.

<A – Stuart Grimshaw – EZCORP, Inc.>: I know what you saying. We've got their employment address. I know that, but I'll confirm the other one for you, Gregg.

<Q – Gregg Hillman – First Wilshire Securities Management, Inc.>: Okay. Thanks very much for your comments.

<A – Stuart Grimshaw – EZCORP, Inc.>: Thanks, Gregg.

Operator: Thank you. And I'm showing a follow-up question from the line of Henry Coffey with Sterne, Agee & Leach. Your line is open. Please go ahead.

<Q – Henry Coffey – Sterne, Agee & Leach Inc.>: Just real quickly, obviously you shut down the payday loan business. You're going to see higher losses, et cetera. I mean, that's sort of a given. But, in the $75 million to $85 million of expected charges and costs, is any of that in there? Or is that just the cost of putting on the brakes and shutting down the doors, et cetera?

<A – Stuart Grimshaw – EZCORP, Inc.>: There's a couple of things in there that – we've got a number of action items that we are trying to use to ensure that those collections are reasonably high. And obviously, I don't disagree that the risk of leakage in that is quite high. But, yes, those numbers are in the $75 million to $85 million.

But, we're looking at issues such as seeing whether we can convert some of these clients across to our Pawn business. There was survey done in 2012 by Pew, which suggests that close to 60% of people would look at pawn if payday didn't exist. However, there's obviously other competitors in that market where they would completely have to refinance. So, we're not being reactive to the situation. We're actually being quite proactive to the situation to ensure that collection rate is as high as we can get.

<Q – Henry Coffey – Sterne, Agee & Leach Inc.>: Great. Thank you and I look forward to learning more.

<A – Mark Ashby – EZCORP, Inc.>: Thanks very much.

Operator: Thank you. And I'm showing no further questions at this time. And I would now like to turn the conference back to Mr. Grimshaw for any closing remarks.

Stuart I. Grimshaw, Chief Executive Officer & Director

Thanks very much. I didn't know my name was that hard to get out. I appreciate the interest and we'll be around for quite a while, so please contact us should you require any one-on-ones about and beyond this call, and we're fully available for that and appreciate your interest in the stock and look forward to talking. Thank you.

Operator: Ladies and gentlemen, this concludes today's conference. Thank you for your participation, and have a wonderful day. You may all disconnect.