PARTICIPANTS

Corporate Participants

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

Other Participants

John Hecht – Analyst, Jefferies LLC
William R. Armstrong – Analyst, C.L. King & Associates, Inc.
Vincent Albert Caintic – Analyst, Macquarie Capital (USA), Inc.
Jonathan Michael Segal – Managing Director & Portfolio Manager, Highbridge Capital Management LLC
Alexander Andrew Lach – Partner & Portfolio Manager, Camden Asset Management LP

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the EZCORP Fiscal 2016 First Quarter Earnings 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 introduce your host for today's conference, Mr. Jeff Christensen, Vice President of Investor Relations of EZCORP. Sir, you may begin.

Jeff Christensen, Vice President-Investor Relations

Thank you, Kaylee, and good morning, everyone. Welcome to EZCORP's First Quarter Fiscal 2016 Results Conference Call. Joining me today are Stuart Grimshaw, Chief Executive Officer of EZCORP; and Mark Ashby, Chief Financial Officer of EZCORP.

During our prepared remarks, we will be referring to slides which are now available for download from our website at investors.ezcorp.com.

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 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 fluctuations in gold prices and the desire of our customers to pawn or sell their gold items, changes to the regulatory environment, changing marketing 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, and other reports filed with the SEC.

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

Stuart I. Grimshaw, Chief Executive Officer & Director

Thanks, Jeff, and good morning, everyone. I hope it's not too early for you all. I'd like to start – probably turn to page 3 and just bring you up-to-date as to where we are with the strategy we announced in July 2015. Now, as you recall, there were three areas that we said we'd execute on, being on focusing the organization, simplifying the organization, and optimizing the organization. If I turn firstly to the focus, particularly in the pawn business, we have spent a lot of time looking at the service and [ph] set (02:27) customer satisfaction recorded in the stores. And in particular, we have initiated both video and phone mystery shopping, which has been quite a proven training tool for us and we've seen around a 7% to 10% improvement in satisfaction scores over that period of time, and we continue to see benefits from using these measures of satisfaction, particularly for our staff as they learn how to interact with our customers better.

We've also invested in talent to support the growth initiatives that we do have, particularly in pawn, in our centralized functions, particularly in accounting and risk and also in Grupo Finmart where we appointed a new CEO, a new CRO and CFO through that period of time. And overall, when we look at the businesses, we believe we have a very seasoned management team. And indeed, if you look at the U.S. pawn business, the average tenure of our senior executives in that business are around nine years with experience in the pawn industry specifically. So we believe that with the focus we are bringing in, we'll see that through the pawn results, us bringing some very [ph] astound (03:31) results.

In simplifying the organization, we've rolled out a new incentive scheme, particularly for our pawn customers, which does support the mystery shopping initiatives as well which focuses on customer engagement. Previously, we've focused specifically on metrics which haven't actually evaluated the overall interaction we have had with the customer and we're seeing some benefits from this and we are ensuring that the incentives are actually paid on a timely basis reinforcing the behaviors that we are measuring.

We have completed the wind-down of USFS on time. And we have reached agreement with the CFPB, so we have moved past that business now and focusing on the other businesses. And as we highlighted in July, we have centralized all procurement and we've identified $4 million of savings on an annualized basis and – however this will be phased through the course of the year, so the $4 million won't be fully in this year but it will roll through the next year and will be coming through various quarters of this financial year.

In terms of optimizing, as we disclosed again in July, we are on track to realize $13 million in cost reductions by FY 2018. And I will note that not all those would be coming through the corporate expense line; it will be through the various expense lines as well. We are targeting systems, particularly our point-of-sale system in the pawnshops and they are actually streamlining that. And as we streamline that platform, we are finding ways we can improve process and get faster transaction times with our customers.

And finally, we are reviewing the strategic options for the Grupo Finmart business in light of some of the structural changes we've seen in the economy and within the industry itself over recent quarters. And I'll touch on that a little bit later on, but in the interim we have initiated a number of programs designed to actually save costs and actually get a bit of [ph] risks-based (05:22) structure around that business.

Now turn over to page 4 and I'll focus briefly on the consolidated pawn business before passing to Mark. This concentrated – the focus we've brought on the customer, we are starting to see the benefits coming through in some of the metrics. And if I touch on a few of the highlights of this slide, you see that the PLO has increased 6% to $160 million and same store loan growth grew 3%. And it's good to see that we are experiencing that same store loan growth in a period of time where it has proven to be a little bit difficult through history. I would say that the loan portfolio we are

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growing we believe is high quality as evidenced by the consistent pawn loan yield, steady redemption rates and the healthy merchandising margins that are being experienced.

And we look at the merchandise margin, we have increased that to 38.9% from 33.9%. And Joe would be the first to say, it's a result of his strong management skills, but it's actually the way that he's initiated disciplined loan valuations and effective product lifecycle pricing through the business. And that discipline has been accepted well by the stores, and we're seeing it through these results. And when we look to the aged inventory, which we've highlighted before was a problem – or a looming problem over 12 months ago, we've seen that reduce from 17% to 10%.

When we look at the annualized return on the assets, we've increased 151% from 142%. And while pawn loan yield has remained relatively stable at 166%, the inventory yield has strengthened to 132% through disciplined product pricing and we are fairly pleased with the way this business is tracking at this point of time.

With that, I'll pass over to Mark for the consolidated results in the other divisions.

Mark Ashby, Chief Financial & Accounting Officer

Thanks, Stuart, and good morning, everybody. I'll take you through a few charts showing the consolidated results of the business which is kind of the pawn operations and the Canadian operations, and then a couple of charts on the Grupo Finmart business.

If we start on page 5, which is the consolidated results for the quarter, the total revenues were down 7% on last year, but our core pawn revenue was flat and we did experience growth in pawn service charges.

As Stuart indicated, there was some significant improvement in our merchandise gross margin, increasing to 39% from 33.9%. Scrap sales reduced as we focused more on pushing the Jewelry through the retail method rather than actually just scrapping. And there was a 48% decrement in scrap sales volume for the quarter.

Grupo Finmart, when you look at the Grupo Finmart line, the net interest income was $11 million compared to $16 million last year and I'll touch on this in a bit more detail. But on net revenue basis, it was negative $1 million where the reserving was higher – the bad debt reserving was actually higher than the interest income for the quarter on a comparison to $9 million for the same quarter last year.

Overall, operating expenses, they've invested – sorry, the increase really is a result of investing in our platform for growth. There were some new store acquisitions. There was 25 that we added after Q1 last year. Investment in store teams, store structure to deliver the outcomes that you are starting to see in the pawn business, some run-down costs of CCV in Latin America and some – the investment in the management team in Grupo Finmart and the commission structure, which I will also touch on a bit later.

On the corporate expense side, the increase was primarily due to the restatement and restructuring costs, the $4.3 million. And there was – the capital – large credits in last year first quarter which didn't occur this year for comparative purposes.

So by the time you take all that into consideration, the continuing ops net income for the quarter was a loss of $7 million against the profit last year of $5 million.

Turn to page 6. Page 6 represents normalized results. So if you take out the effects of the restructure, discrete costs and put it into constant currency and exclude Grupo Finmart for the

purposes of this chart, it gives you underlying indication of the U.S. pawn, Mexican pawn, Canadian pawn and investment in CCV Australia.

Clearly, it's a strong performance in the pawn business with the pawn revenue up 3%. As anticipated and as Stuart mentioned, the merchandise margin increased to 38.9% from 33.9%. And I'll give some more flavor on that as we move forward.

Operating expenses increased, again based upon investing in the platform for growth, the acquisition of stores in FY 2015, the investment in the store teams, district managers as coaches and mentors, and the run-down cost of CCV in Latin America. As I mentioned before, the comparative corporate expense was affected by a large general credit in the prior year, but fundamentally was flat.

We put a cash flow down the bottom of the chart to give an idea of the movement on last year and it increased by 27% to $22 million. And that's primarily as we look at and evaluate every piece of CapEx that we've put through the business to make sure that this CapEx is designed to provide a return. We also did not capitalize on the same way as we did last year, where we now have changed to put more through the operating expense line of the P&L rather and having it sit on the balance sheet if we don't believe it's going to generate significant returns.

If we flip to page 8, if you look at the U.S. pawn business, the focus on the customer that Stuart mentioned earlier on is starting to fuel the performance in the business. The core pawn revenue is up 3%. And as you'll see in a couple of charts, we had positive same store PLO growth at the end of the quarter.

Net revenue was up 6% to $97 million despite the significant drop in scrap revenue of some $8 million for the quarter. Merchandise gross profit improved up to 39.7% from 34.5%, reflecting the reduction in aged inventory and also the way the model is set up for delivering the product to the customer.

Operating expenses increased due to the stores that we acquired after Q1 in FY 2015, and again, the investment in the store teams.

The cash generated under the U.S. pawn business increased from $26 million to $33 million and also reflects their focus again on income driving capital.

If we turn to page 9, the concentrated focus, you see the PLO growth increased 4%. Underlying metrics actually support high quality loan growth. Slightly positive same store loan growth for the quarter of 0.5% supported by the number of new loans made, being up 6% in total, 3% on a same store basis, constant redemption rate and increase in pawn service charges.

Merchandise margin increases we've touched on before, and you can see the aged inventory decreasing to 11% of total inventory from 16% assisting in that. Inventory turns were at 2.2, down from 2.4 last year, reflecting the focus last year on clearing aged inventory. The annualized return on earning assets increased to 150% from 141% a year ago with inventory yield and pawn loan yields both increasing.

Charts on page 10 just give you a pictorial view of what we just discussed. You can see in the chart, top-left corner, the pawn loan balance. The trend was gradually improving over the last few quarters and has gone positive at the end of Q1 with 4% up on the pawn loan balance up to $143 million over a year ago.

On the right-hand side – and we spoke about this certainly when we did the year-end numbers – we went from minus 11% to minus 6% at the end of last fiscal year in terms of same store pawn

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loan balances to hit positive 0.5% at the end of Q1, which again now fuels the growth opportunities within the business.

The Merchandise Margin and Aged Inventory chart, you can see the correlation between the two. As the aged inventory increased – and we had [indiscernible] (14:26) the gross margin declines; then as the aged inventory declined, the gross margin started to grow. So it's synchronized together.

If we move to the Mexico pawn business on page 12, which is in a constant currency view, core pawn revenue was up 8% driven by very strong growth in PSC revenue. Pawn service charges of 22%. Net revenue, up 17%. Operating expenses increased again as a result of investment into the platform for growth. Conversion of the five concept stores to the Empeño Fácil model stores are in progress. Run-down costs of CCV. We will be investing in four large scale de novo stores to open during the balance of FY 2016 and this is all supported by investment in store teams again, and district managers on the same basis as was invested into the U.S. pawn business. Cash flow again improved in the Mexico pawn business across the quarter.

Page 13 calls out the – similar metrics to what we saw in the U.S. PLO increased by 33% for the quarter. Same store loan growth, 34%, which is the sixth consecutive quarter with double-digit same store loan growth. New loans may go up. Redemptions were constant, and pawn service charges increased by 22%.

Merchandise gross margin improved, up to 34.9% from 31%, reflecting the decrease in the aged inventory down to a very low 3% of total inventory from 16% last year.

The annualized return on earning assets increased 158% from 149% last year with inventory yield improving to 124% and the pawn loan yield slightly decreasing to 194%.

The charts on page 14 show the correlation of those key metrics. The pawn loan balance has been consistently growing in percentage terms, up to MXN 251 million, and this is all in local currency, by the way. Pawn loan balance growth, you can see the trend that shows four of the six consecutive quarters of same store pawn loan balance growth. And again, the chart on the bottom shows the correlation between the merchandise margin and the aged inventory as we see an increase in the merchandise margin as we clear out the inventory.

If we move to the Grupo Finmart business, let me just hand back to Stuart on – for page 16.

Stuart I. Grimshaw, Chief Executive Officer & Director

Thanks, Mark. What we announced in the press release today is that we are going to do a strategic review of the opportunities for Grupo Finmart, and that's been driven by a number of key factors. We've seen some changes in the industry and particularly in terms of delays that we experienced in payments. And as you'll see there under "Industry Dynamics Changing", delays in payment have increased as a percent of outstanding portfolio to 16% in Q1 FY 2016 from 11% in Q4 FY 2015. That's been a fairly major structural shift.

And we look at more the macro trends that we are seeing, certainly the energy situations being experienced through the market is playing out in the Mexican economy. And if we look at Pemex, who provides 1/3 of the tax revenues, their revenue stream is reducing substantially and we are starting to see the flow through that into the delays being experienced in the industry.

As a result of that, it's prudent of us to step back and say, well, is this a structural shift that's going to be there for a while? And we do think this could be the case. And as a result of that, we need to

review exactly how we manage the business going forward and look at all strategic opportunities that are available to us.

In the short-term, while we do that, we have initiated some steps designed to control the financial performance of the company such as reducing the overall G&A expenses by 20%, and that's underway at the moment. We've actually have refocused the originations on to the high quality convenios, those that we haven't experienced delays over time and initiating short-term loans and we have cut out some – originating in some of the longer tenures that we previously did do. And we are looking at reengineering the collection process such that the collections performance continues to improve, so that the cash coming into the business is quite sustainable.

With that sort of overall background, I'll pass to Mark just to run through the financials and also just review the accounting policy around the bad debt expense.

Mark Ashby, Chief Financial & Accounting Officer

All right. Thanks, Stuart. If you look at the Grupo Finmart results on page 17, we've given some of the highlights and tried to give a little bit of color on how these are constructive.

The interest income for the quarter was $13 million compared to the same quarter last year of $16 million. The bad debt expense, as we can see for the quarter is $15 million versus last year same quarter of $8 million. The industry dynamics that Stuart mentioned really did affect the size of the reserves that were taken during that quarter.

The Grupo Finmart's non-performing loans now represent some 34% of the overall portfolio, which was a 19% increase from last year. The majority of these loans – and I'll cover this a bit more on the next page – represent currently employed individuals that we expect to receive funds from in future periods. So, there is a differentiation between default and delay, and this the way we are looking at it internally.

The interest expense was down slightly, down to $6 million from $8 million last year. Total expenses were up, reflecting both an increase in commissions and the investment – predominantly the investment in the management team, which involves a Chief Financial Officer, a new CEO, and Chief Risk Officer and appropriate support that we've invested in over the last six months.

The profit before tax on a constant currency basis was minus $20 million compared to minus $8 million last year. Originations were down from $22 million to $19 million, reflecting the refocus that Stuart touched on earlier. Our gross loan balances were up, but also the reserves were up. So on a net loan basis versus the net loan – first, the net loan balance, sorry, was $119 million compared to $115 million last year with the net interest margin declining to 21% from 26%.

If we move to the analysis of the portfolio on page 18, you can see the reserve increased to $72 million from $42 million last year, which is some – 71% increase. If you look at the construction of that, there's two major components. The first component is the "in payroll, delayed". I'll spend a little bit time talking about that. The second component is the "out of payroll". So the "out of payroll", we write-off 100%, and we don't expect to receive future payment. We do have a small recovery rate on "out of payrolls".

In terms of the "in payroll, delayed", the policy is to reserve loans that experience payment delay, as we call it, if greater than 180 days or is identified as "out of payroll". So once the loan hits a 180 consecutive days, a 100% reserve takes place. Then we receive subsequent collections on the delayed loans, but the loans do stay in the non-performing basis. Now what happens is that actually reduces the bad debt expense going forward, so the collections are applied against the reserve.

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Once the reserve for that bigger loan has been fully recovered, then it moves up into interest income. So that's a cost recovery method of accounting.

But we do notice that the collections on the delayed loans increase at the similar rate to what's in the payroll reserve. And if you look at the chart above, the collections percentage on the "in payroll" reserve – and we annualize these numbers – has been consistent at about 16%. So the collections do come back. What that does reflect is the timing; and therefore, the timing for how long it will take for that loan to be repaid.

So one of the key drivers is the payment delays. The first is a ratification; and ratification, that's the time between the loan origination to the first payment. And we call that administrative delay. The second is the agency delays, where the agency has deducted the payment from the employee but has not remitted the payment to Grupo Finmart. And the third are customer delays, where there's no deduction made due to multiple reasons. And we've quoted a couple; indebtedness, leave of absence, or alimony. Those are the three main drivers of what we see on the "in payroll, delayed" areas . And the increase of some 70% for the quarter, which is the $18 million, the accounting treatment of that as you take that all through the P&L. So we see an increase in bad debt expense.

So, in summary, the cause of the negative profit and loss performance is because we have not received a substantial amount of loan payments for 180 consecutive days. But from an accounting-driven perspective – and we've mentioned this before, it is a very [ph] blunt (24:30) instrument, it just – it writes it off and then works on the cost recovery basis coming forward. Does not put those lines back into a performing strategy [indiscernible] (24:39) the fact that we do start to recover against quite a few of those loans.

So on that note, I'll hand back to Stuart.

Stuart I. Grimshaw, Chief Executive Officer & Director

Thanks, Mark. What I'd just like to do is probably summarize the five key points and then we'll open it up for questions. The thing is, as we've been through this, what we are seeing is the concentrated focus on serving and satisfying our customers beyond their expectations is actually starting to work and we are seeing that coming through in some of the key metrics. The building of platform for growth in the pawn business, we are investing in talents, we are investing in systems. And as you've seen, we have done a couple of acquisitions to continue to bolster our representation in areas which we want to strengthen.

The execution [indiscernible] (25:25) is running well. PLO balances are up 6% year-on-year and 3% on a same store basis. Redemption rate's consistent at 83%. The merchandise margin is up 500 basis points to 38.9%. Return on earning asset is up 900 basis points to 151%. Net revenues are up 7%. Free cash flow of $22 million, a 27% increase, are all strong fundamentals and is tracking well.

And we are in the early stages of our three-year strategic program, but the indicators, we've mentioned, slightly ahead of the expectations we have set internally.

And finally, as we've just been through, the recent structural changes to the Mexican economy and the payroll lending industry is forcing a review of strategic options and opportunities for Grupo Finmart.

So with that, I'll open it up for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from the line of John Hecht with Jefferies. Your line is open.

<Q – John Hecht – Jefferies LLC>: Thanks, guys. And I guess congratulations on making a lot of progress on the business plan here. First question I guess is related to expenses in the quarter, and then maybe expenses going forward. I know you had like [ph] $1.6 million or $1.7 million (26:54) of kind of nonrecurring expenses this quarter. But I'm wondering, was there anything else elevated just – whether it's accounting or anything you should kind of work through some of the restructuring that we should think about? So I guess that's the first question, expenses.

And the second, Stuart you mentioned ongoing cost base. Can you just maybe give us a little sense for what the kind of expectations over the course of the next five or six quarters would be per quarter in terms of cost base and is that going to come in the admin or the OpEx side?

<A – Stuart Grimshaw – EZCORP, Inc.>: I'll do [ph] mile – and we don't go (27:28) – what we always work to do, John, is we always work to try and reduce the cost base each quarter. The procurement savings that we indicated around $4 million, we'd probably expect to achieve something around 70% of those savings through the course of this year with the other 30% being reflected into next year.

We sort of made a commitment that we would try and get $13 million off the expense line within the three years and we think we're on plan to achieve that. I think the way – obviously, there's a reasonable amount that will come through in the back end from 18 months onwards as we get the full benefit of some of the initiatives that we are saving. So I think you'll see it will be more a step-up than a straight line from here on.

On a quarterly basis, we don't really analyze it on that way, so I'll just give you those indications and you can work your model through that.

<A – Mark Ashby – EZCORP, Inc.>: Okay. It's Mark here, John. Just to add a little bit to what Stuart was saying, the – in terms of the quarter, I think we called out what the normalized view of that number would be if you take out the restatement restructure costs, the discrete items. And basically, I think, you boil it back down to be somewhat flattish.

Stuart mentioned about procurement savings and certainly some savings we certainly target to be better each – quarter-on-quarter. We are also quite conservative I think in some of our accounting treatment in terms of the expensing items that maybe in the past would have been capitalized. And we've changed our internal accounting policies on that, but we expect to absorb that into the numbers that we are providing.

<A – Stuart Grimshaw – EZCORP, Inc.>: So you should see the D&A probably go down by year three to match some of the potential short-term increases which might come through. But I would say we try to manage the cost base to flat to slightly negative on a quarterly basis.

<Q – John Hecht – Jefferies LLC>: Okay. And some of the saves, are they spread through OpEx and admin or are they concentrated in one line item versus the other?

<A – Stuart Grimshaw – EZCORP, Inc.>: Some will come through the store expenses and some will come through the admin. I'm not sure what...

<Q – John Hecht – Jefferies LLC>: Okay.

<A – Stuart Grimshaw – EZCORP, Inc.>: What they'll be. But there will be a mix.

<Q – John Hecht – Jefferies LLC>: Okay. And then moving to the strategic review on Grupo Finmart, what – I'm just trying to understand what the options would be? I mean, it's an ongoing business. Do you have commitments to the unions down there? You have the servicer, I assume so if you were to dispose of this, I assume you have to dispose of the whole thing. And can you shut it down if that becomes the only option? I'm trying to understand what your range of options are.

<A – Stuart Grimshaw – EZCORP, Inc.>: The range of options at the moment is to try and get the company back on what we would term as a normal footing where the bad debt expense starts actually behaving on a flat line basis. So the accounting policy makes that difficult as you originate more and with the delays we are having.

All options are open, but there are risks obviously in every option you do take. For instance, if shutdown was one of those options – and I don't think that would be an option to follow, but if it was, I think your ability to collect is somewhat limited from there on as you are signifying a departure from the industry. And it's not something we would rapidly entertain, because we think there are better options in terms of managing the business and even looking at partnerships.

The one thing we've said that if businesses aren't meeting their cost of capital, then we have to be fairly strong about the way we look at the options and move in a way that maximizes shareholder value. So I think if we use the – we have to convince ourselves that by being in the [ph] hall (31:09), we can get that cost of capital return. And if not, then we have to move into areas which could be about any of the options that – which I'm sure you are aware of.

<Q – John Hecht – Jefferies LLC>: Okay. And final question. The equity income line – I know, there's – you've done some asset sales and it's been volatile in the recent quarters because of that. How do we think about – do you guys have – can you give us a sense how to think about that equity income line, whether it's seasonally adjusted or just on a quarterly basis going forward?

<A – Mark Ashby – EZCORP, Inc.>: The major part of it's actually the equity income from cash narrowing to some cash converted in Australia they'll be releasing there. And they release it on a half yearly basis, not a quarterly. So we take an estimate, to a degree of what we think that contribution could be and then will be firmed up this quarter once they announce their half yearly's, which is in about three weeks time.

<Q – John Hecht – Jefferies LLC>: And is there – in your opinion is that business fairly consistent now? Or is there still some volatility in it?

<A – Mark Ashby – EZCORP, Inc.>: They are undertaking a strategic review. What we do is look at the analysts' forecasts and take a line and understand from what the analysts' are projecting for the earnings and then throw it up once we get the final results in that they are undertaking a strategic review at this point of time, looking at the options of some of the businesses they have and we'll see what the outcomes of those are.

<Q – John Hecht – Jefferies LLC>: Okay. Great. Thank you very much.

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

Operator: Our next question comes from the line of Bill Armstrong with C.L. King. Your line is open.

<Q – Bill Armstrong – C.L. King & Associates, Inc.>: Good morning, gentlemen. Wanted to talk about the retail margins. They were up pretty nicely, and you talked about the lack of aged inventory markdowns being part of that. Were there any other drivers there, maybe mix either between jewelry and general merchandise and what you are seeing within those categories?

<A – Stuart Grimshaw – EZCORP, Inc.>: A slight shift to jewelry, but what we've found is that we're actually pricing better the loan. When we are doing the loans, we are actually pricing much better which sets us up for success with the cycle, the pawn cycle that runs from there, so that when the inventory does drop, it's actually the price that we can achieve the margins on. And as we mentioned before, that's why we referred to it as a quality loan portfolio because we haven't seen an increase in redemptions. Yields have remained the same. The margins have been healthy. So it's actually that discipline that I talked about before and the marking of the product through the product lifecycle. And the customer metrics that we are seeing are supporting everything we are doing. So there's no simple solution. What we found is getting the discipline right at the start sets us up for the success all the way through.

<Q – Bill Armstrong – C.L. King & Associates, Inc.>: And even with that more disciplined pricing, your same store balances in the U.S. were up a little bit year-over-year. Do you see that continuing to stay in positive territory as we move forward?

<A – Stuart Grimshaw – EZCORP, Inc.>: Is this the PLO you are talking about, Bill?

<Q – Bill Armstrong – C.L. King & Associates, Inc.>: Yeah. The same store for U.S.

<A – Stuart Grimshaw – EZCORP, Inc.>: Well, if you look at the last couple of quarters, because we had some very good momentum coming through. And obviously, as management, it's our intention to continue to grow those balances. However, in this quarter, we'll probably see them come off due to the large retail and tax refunds coming through. But on an average basis, our intention is to continue that trajectory.

<Q – Bill Armstrong – C.L. King & Associates, Inc.>: Got it. Thank you.

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

Operator: Our next question comes from the line of Vincent Caintic with Macquarie. Your line is open.

<Q – Vincent Caintic – Macquarie Capital (USA), Inc.>: Hi. Good morning, guys. Question on pawn loan growth. You had demonstrated strong growth in both the U.S. and Mexico and I was wondering if you could give us a view on how that's going to shape up for 2016. Particularly, I think some investors are concerned about energy prices and how that might impact loan growth. Thanks.

<A – Stuart Grimshaw – EZCORP, Inc.>: One of the things [ph] as I say would vanish (35:15) with time is to continue to improve the pawn loan balances, which means that we've got to keep focused on the customer at the store-front level, so we are committed to that and we haven't put any gross targets out there, Vincent. But I'll give you a bit of a sense that most of our customers actually adjust quite rapidly to what's happening to their hip pocket. And we find that they can adjust pretty much within a 45-day to 60-day period. So while we get this initial sticker shock for whatever it is, they actually adjust the whole patterns to that.

And typically the energy prices may provide a bit more cash in their pocket. But the underlying behavior, or the need for cash is still there and what we find with our customers is that by staying close to them, may actually still come back via retail or via pawn. But we don't expect that to be a major driver of any change in our approach to running the business.

We believe that the management initiatives we are taking at the store level focusing on the customer sort of removes some of the macro impacts from what we see all the time. And the role we have is to ensure we grow the business at a rate which is sustainable and takes account of the macro impact.

<Q – Vincent Caintic – Macquarie Capital (USA), Inc.>: Got it. Great. And then touching on that you've grown stores this year as well, and I was wondering what your appetite is for opening more stores or buying more stores. Thanks.

<A – Stuart Grimshaw – EZCORP, Inc.>: As we flagged, in Mexico, we are going to do four de novo stores. In the U.S., we might do some – we might just do some of the opportunities right. What we don't want to – we don't want to pursue acquisitions for the sake of it. But where it makes sense, we will do it.

But really, as you'll see that it's [ph] been nice (37:07) sort of bolt-ons where it makes sense. But really, the focus of investing our money really has to be back into the talent we have at the store level and at the district manager level. We know that we can get some really immediate returns by investing smartly there. So most of the money will be invested back into the store label and there will be some opportunistic acquisitions if they do come up.

<Q – Vincent Caintic – Macquarie Capital (USA), Inc.>: Okay. Great. Thank you, Stuart.

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

Operator: Our next question comes from the line of Jon Segal with Highbridge. Your line is open.

<Q – Jon Segal – Highbridge Capital Management LLC>: Hey, guys. How are you?

<A – Stuart Grimshaw – EZCORP, Inc.>: Hey, Jon. Good. Thanks.

<Q – Jon Segal – Highbridge Capital Management LLC>: Congratulations on what we would argue as a very strong set of results. Clearly, the plan is working. Quick question for you. Going through the 10-Q this morning, saw there was substantial repayment of indebtedness, $29 million or so. Just curious what that relates to and if that holding company capital is going down to the Grupo Finmart entities?

<A – Mark Ashby – EZCORP, Inc.>: It's actually the net for amortization of the loan portfolio in Grupo. So you'll see, for the [indiscernible] (38:15) I think there's about $12 million drop on that one and then there's the roll-through. So that's just the natural amortization of those facilities.

<Q – Jon Segal – Highbridge Capital Management LLC>: Very good. That was my question. Thank you.

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

Operator: [Operator Instructions] Our next question comes from the line of Alex Lach with Camden Asset Management. Your line is open.

<Q – Alex Lach – Camden Asset Management LP>: Hi. Thank you, gentlemen. One of my questions has already been answered. If you could just talk about general liquidity management going forward. Again, you mentioned potential opportunistic acquisitions, but if you could talk about how well you are comfortable with your cash balance, et cetera, that would be great. Thank you.

<A – Alex Lach – Camden Asset Management LP>: Yeah, I mean, we watch liquidity on a daily basis. At the moment, we're coming into probably our peak liquidity season, whereas the tax refund checks do start hitting our customers' accounts. And they do hit our stores, they pay down the loans and purchase stock. So we're in the peak liquidity – and we do set internal buffers, which we don't disclose to market, but what we do, do is look at – just to give you a sense of how we look at it, we do look at the loan growth apps for the next 12 months and we look at the intended sales and

we actually probably vary those on a daily basis, based on the feedback from the stores. So if it's the comfort you need around liquidity, we do watch it very seriously.
And we continue to – we're trying the conservatism around it. So if an acquisition did arise, which would breach one of the buffers that we do set, we wouldn't undertake that acquisition.

<Q – Alex Lach – Camden Asset Management LP>: Thank you.

Operator: Thank you. And I'm showing no further questions at this time. I'd like to turn the call back over to management for closing remarks.

Stuart I. Grimshaw, Chief Executive Officer & Director

Okay. Thanks very much for your time and once again apologize for the early hour of the morning, particularly if you are on the West Coast. We'll be available for calls through this week and we will be visiting a number of cities next week. So we look forward to meeting with you and discussing the results. And thanks again for listening.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program and you may all disconnect. Everyone, have a wonderful day.

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