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EZCORP, Inc.

2017 Investor Day Conference Call

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C O R P O R A T E   P A R T I C I P A N T S

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Joseph Rotunda, *Chief Operating Officer*

Danny Chism, *Chief Financial Officer*

Mark DeBenedictus. *Chief Customer Experience Officer*

Jeff Christensen, *Vice President, Investor Relations*

P R E S E N T A T I O N

Operator:

Good day, ladies and gentlemen, and welcome to the EZCORP Investor Day. All conference call participants are in a listen-only mode during the speakers' remarks and question-and-answer session.

I would now like to turn the conference call over to Jeff Christensen, Vice President of Investor Relations for EZCORP. Please go ahead, Jeff.

Jeff Christensen:

Thank you, and good morning, everyone. During our prepared remarks, we will be referring to slides which are available for viewing or download from our website at investors.ezcorp.com. After the speakers' remarks, there will be a Q&A session. Conference call and webcast participants will be in a listen-only mode during the speakers' remarks and question-and-answer session.

[Slide 2] Before we begin, I'd like to remind everyone that this conference call, as well as the presentation slides, contain 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 risks and other factors that are discussed in our annual, quarterly and other reports filed with the Securities and Exchange Commission.

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

Stuart Grimshaw:

Thanks, Jeff, and welcome everyone this morning. A number of you have traveled quite a ways, particularly Mark, and thanks very much for taking the time to join us today.

I'll turn to Slide 3 because Jeff has been through Slide 2.

Just a little bit of background as to where we are. I think the important thing that's happened over the last two months has been the shift in the store count where Latin America now accounts for 43% of all our stores and that takes our total exposure to 382 stores in Latin America, we've got over 513 pawn stores in the United States and we have 27 payday which are changing to installment loans in stores in Canada. The share price is up bit in the second half of this year and the convertible debt instruments are trading at par and substantially above par for the 2024s.

If we look at the share price on Slide 4, we go back quite a ways to 2011, which is where, I suppose where a number of acquisitions started and we see the decline in that share price, and then we look at when we started on our strategic direction in 2015. At that time we announced that we wanted to be the market leader in North America, we're getting close to that in responsibly and respectfully meeting our customers' desire for access to cash when they want it.

The two words in there which are quite important are responsibly and respectfully. Most of our customers actually don't get respect from a number of institutions when they go and seek requirements for their cash needs. We spend a lot of time making sure we give our customers the respect they deserve and we think we do a great job on it. When you look at our share price, it sort of doesn't reflect whether we have achieved that strategy or not when you compare it to where FirstCash is. What I'd like to do is just go through a few things and highlight a few of the areas that I think we have achieved.

[Slide 5] When you look at the transformation that we've done since then, there's a lot of work that's been completed, I'll sort of put it into four groups: we rebuilt the talent; we divested businesses, particularly the payday lending business and the Grupo Finmart business; we established foundations for growth; and we have started to grow. With the acquisitions we've done recently in Mexico and the four countries of Guatemala, Honduras, El Salvador and Peru, it's positioning us very well in those strong core growth markets. Along with that, we have substantial opportunity to expand by de novo stores, we're aiming to put 10 new stores into Mexico by the end of the second quarter of Fiscal Year 2018 and we're on track to have that done.

We'll talk a lot today about how we've transformed the customer experience. The customers are central to everything we do. The outcomes that we have had reflect how well we're managing that customer relationship and we believe we are managing it better than anyone in the industry and I know Joe will talk about that. We have a lot of system transformation that has occurred over the last two years, and Mark DeBenedictus, our Chief Customer Experience Officer, will run through that later on. For all of you who look at the cost line pretty closely, we are on track to keep our corporate expenses within the $50 million target that we're aiming in Fiscal Year 2018.

Moving on to Slide 6. Transforming Customer Experience is not something that we just woke up this morning and decided that we'd put a slide in the pack. We've actually been working on this for the last two years, and I know Joe and Mark will talk at length about what actually has occurred. We've talked to investors more about how we've righted the business, how we've positioned it for growth, but what we haven't spent a lot of time talking to investors about is what we've actually done behind the scenes—we've moved into cloud-based structures, we're looking at dynamic pricing, we're looking at customer analytics, we're becoming more of a data-driven business now than we ever have been and this has taken some time because we have been dealing with legacy systems and we've cleaned a lot of the back-end up, we can now look at predictive analytics, we can now look at how we manage big data — and with that you'll see some of the results that we're starting to see suggest that we are moving well along this path and we believe that the work we've put into this will show benefits in the future and for a long time actually.

[Slide 7]. We'll look at the financial results, the EBITDA growth that we've been able to achieve through the business. When we look at Mexico, it's quite staggering how much growth in that period of time. The

U.S. as you know is a much more stable market. Our U.S. team has maintained a 5% CAGR growth in EBITDA and kept the leverage margin pretty constant through that period of time.

Down on the bottom of this slide is the change in the store count since September 2017, 43% of our stores are now in Latin America. There's been a rapid shift in the geographical diversification of the stores and into a rapidly growing Latin American market.

[Slide 8] How have we performed operationally? When we compare our PLO growth in the U.S. to that of our publicly listed competitor, we've actually outperformed. If we look at this realistically, we're taking market share. We've grown consistently over eight quarters in a period where our competitor has struggled to keep pace with that. When you look at our net revenue and profit before tax, we've actually been able to start leveraging through that cost line such that the revenue is dropping pretty much straight to the bottom with each dollar of revenue increase.

[Slide 9] This is also reflected in Mexico with the PLO growth that has been achieved, I'd say, pleasing. Joe keeps smiling, when Joe is smiling you know it's a good outcome. You look at the strong double-digit compounded growth over 13 quarters is a phenomenal achievement at a time when we really haven't increased the store count. This has just been operating more effectively and efficiently. You can see on the right side of Slide 9 those strong profit before tax growth outcomes that are coming from the PLO growth that we have been achieving.

[Slide 10] The end of the 2017 financial fiscal year, this is where we are. We're a leading player in the U.S. pawn industry. The Mexico Pawn segment is growing rapidly in a very attractive market and we are able to still continue to grow with attractive rates of growth. We've diversified the footprint that we have and we've also got strong earnings growth and importantly we have improved liquidity, we're holding significant cash on our balance sheet which provides us with flexibility.

Let's turn to Slide 11, which is just a recap of what's happened in the last two months on the acquisition side. We acquired GuatePrenda MaxiEfectivo, which has exposure in four countries, notably the largest is Guatemala. We also acquired 21 stores in Mexico, and you'll see we previously didn't have exposure in that part of Mexico, so starting to round out our geographical footprint in Mexico. We still believe there's significant opportunities for growth in de novo and we're seeing that occur with the 10 new stores in Mexico that we have targeted by March 2018. We'll continue to look for more opportunities to expand our footprint in all those countries. They will all be accretive to earnings in fiscal year 2018, and the continued geographic diversity is one of the great attributes we've been able to achieve.

Slide 12 gives you a map of where we are and what we've done, a visual context. You'll see with the recent acquisition in Mexico, we're expanding out to the top left-hand side where we didn't have much exposure. Peru, we're still only 11 stores, so we see significant opportunity in that region to continue to grow as well. These are growth markets.

On Slide 13, the long-term growth is being underpinned not just by the disciplined acquisitions and de novo store growth suggested on the right, but we've been able to actually get better at managing our customer which we're seeing in increased PLO growth—I know Joe and Mark will touch on that—as well as the operating leverage that we're seeing coming through as a result. If we look at the leverage ratios coming out of Mexico in particular, which shows exactly why the segment is attractive to us.

With that very high-level overview, I'll pass it over to Joe.

Joseph Rotunda:

[Slide 14] If you go back several years, our mantra is we’re going to serve our customer better than any of our pawn competitors in satisfying their need for cash and treating them with the dignity and respect. That's been our guiding principle which we've moved forward, and I'll tell you about some of the things that we're doing now to satisfy that particular objective.

If you go on to Slide 15, you're going to see some statistics. What I'm trying to do is paint a picture of who our customer is and the size of the particular segment. We refer here to underbanked and unbanked consumers and that accounts for 27% of the households in the United States. If you think about it, that's perhaps one in four or more consumers who need this particular type of product to satisfy their need for cash. I'd tell you that our customer is hard to define in any type of manner that uses any kind of demographics or statistics.

I think our customer is the cash and credit constrained consumer. What that means is when they get paid, they have a limited amount of cash left over beyond their obligations and may have a need, whether it's to get a set of tires for their cars or take care of the holiday season or to do something for the kids. They have very few alternatives and they can't access credit because in most cases they don't have access to credit either because they used up all their open to charge or they haven't been responsible in the way they handle their obligations. That's who our customer is, and they're so used to being turned down and repressed to perhaps give them some access to gain relief from their financial burdens.

If you go to Slide 16, I'm going to show you how pawn transactions actually work, as to what's happening with that customer when they enter a pawn shop with their collateral. What they need is some type of financial relief to satisfy that momentary need that they have. They bring that collateral in and they pledge that product. They then have an opportunity, and they're either 60 days or whatever the term of the loan is, to come back in and redeem that product, and if they redeem that product, they satisfy their obligations and this is a non-recourse, fully collateralized loan. That loan generates for us pawn service charges. Pawn service charges, if you follow our financial statements, account for approximately 60% of our net revenues. They then have that product that they can come back in the future and they can use that same product just like a credit card within our stores, they come back in, pledge the product, get the cash, pay the fee, and pick up the product. That's the methodology many of our customers use.

Now some of them forfeit the product. If the product forfeits, it goes into our inventory, we then sell it to generate sales gross profit dollars that's just over 30% of our net revenues, and then that product goes into the same cycle in many cases. The consumer who bought that product now has the need for cash in the future, they can bring that product into the store to pawn it and be able to gain access to cash. Now, the real key here and the moment of truth is when that customer comes into the store to get that loan. They want as much as they can get for their product, and we have to be careful exactly how much we give them because if we give them too much along with the fee, they're tempted to just let it forfeit and they could replace it with something from somewhere else. Or if we give them too little, they're going to come back and pick it up to satisfy their loan, but you know what's going to happen? The next time they need a loan, they're going somewhere else.

[Slide 17] It’s interesting most competitors in the pawn business typically start with the product even before they do the customer.

If you look at our competition, the first thing they do is they go to the product that's coming in, and that's what they're really focused on because most of our competitors are more concerned with the sales growth profit portion of the equation than what could possibly be done to satisfy the cash needs of the customer.

They'll look at the product, grade the product and then they'll focus on a loan that will allow them sufficient sales growth profit on the sale of that product. That's their number one focus. They really ignore the true request of the customer and ignore what can be done to satisfy the customer’s need for cash.

[Slide 18] I'm going to tell you about how we do it now. You're going to see as I talk through this how we use the different information we have to ensure we give them the absolutely best customer experience beyond any of our competitors.

We are unique that we look at the customer and the product to provide the best experience and appropriate cash to the customer.

Slide 19 gives you an idea of how we take care of the customer. We talk to them, get a rapport, understand them. In this particular case, you'll see here's a painter who goes into the store and wants to pawn that paint sprayer. Our team members are trained and providing some qualifying questions to ask a customer to better understand if the customer will sell it or they need a loan, how important is the product to them, is it for personal use or professional use, and we ask them questions on how much cash they need and what they need it for, how soon are they able to pick it up, all those kinds of questions to get a rapport going with the customer to have a relationship. If this is a previous customer, we should have this rapport already with them. We also have all types of data our team member can easily access, has this product been pawned by that customer before, how much we loaned on it, have we started to increase the loan to value to the customer because of their demonstrated ability and commitment to redeeming that product. With many of our customers, we’ll loan beyond 50% loan to value on the product because of the customer’s demonstrated ability to pay the loan.

[Slide 20] We've invested in our system for three years now. In many cases, we can pull out of our system the exact product that customer's brought in to pawn. We can also see the value that we sold that product. If we don't have the exact model number of the product in our system, we then look at other factors and we're able to get the range of sales value on that product. We're able to get a relatively close sales value range on the product because we have aggregated similar transactions with key attributes. Then we start looking at tiers, manufacturers with those product attribute's and you can fine-tune it some more.

It's a very sophisticated process to get the best loan value for every single customer so we can continue to provide them the most money that they're going to get anywhere for that particular product. You've heard everybody talk about how committed we are in serving and satisfying our customer better than anybody else in the industry.

In the past, the team member had a manual hardcooy grid we developed, the team member takes some metrics, puts them together and they get a loan to value for that customer based on all this data on the product and customer that I just went through.

[Slide 21] Stuart says, I say this backward because I say expect what you inspect, but you really need to expect what you inspect. I don't care what you do first, but the fact of the matter is if we say this is what we want to do and you teach your team how to do it, you want to make sure they're doing what you expect them to do.

We have an independent third party mystery shopper bring a product into our store and a transaction is conducted. A mystery shopper is done in every store in the company once a quarter. The person is dressed as a customer coming into a store. Those are video taped and rated. The video and score are sent to our regional directors and our district managers. The district manager then goes to that store every quarter to hold a meeting with all the team members of the store to review the transaction. Every one of those mystery shop transactions are scored by the independent third party on exactly the same format based on the behaviors and actions that we have detailed that we want done on every transaction. These are part of appraisals on the management and this has become a process within our organization.

If you go to Slide 22, this is really the way we do business and I'll say it again - I don't think you're going to find any of our competitors doing it in a similar manner. It all starts with the store manager, the store manager and the team embrace the whole process I've described to you, including getting to know their customers. It's not unusual to see customers come into a store and ask for the store manager or ask for a particular team member by name because they've developed a rapport with them working to satisfy whatever they're in at that particular time. But, that's why the store manager is number one on this slide.

The real key to pawn growth rate is that number two, the pawn loan. The customer comes into the store, they have that need for cash—and remember, they're frequently not respected in most financial transactions. They're used to hearing no quite frequently—we begin the transaction with understanding the customer and you work on satisfying their need for cash, satisfying them and treating them with dignity and respect. If you do it well, you get pawn service charge revenue. If the customer forfeits, that collateral becomes inventory that is sold which generates sales growth profit. All that comes together to generate earnings.

What's really important about this whole equation, you have to loan more to the customers who are going to redeem and loan less to the customers who are going to forfeit. The better you're able to do that, you'll enhance this whole financial equation. You'll see it with portfolio growth and pawn service charge growth. The better you are at predicting forfeitures, you're going to see improvements in sales growth profit. This is a summary of our whole approach to satisfying the customer.

If you go to Slide 23, look what's happened with average pawn loans outstanding per store. This is compared against all of the public pawn companies at the time in their public reporting. You'll see in 2015, we were at about $260,000 a store. You'll see above it, the green bar is our two public pawn competitors combined at that time. If you look over the next two years, you'll see what's happened, they moved from almost $290,000 per store to less than $260,000 per store while we increased to almost $280,000 per store. The data would suggest that we're taking market share in the marketplace over the last two years.

What's really important is the quality of the pawn loans. The chart on the upper right is the pawn service charges being generated, you can see it has grown as well, while our competitors have actually fallen. We're much more efficient with the investment of capital we're making on the portfolio of loans.

The bottom two charts are what happens to the forfeitures. Forfeitures result in sales. We've gone from a secondary position in sales per store in 2015 to the lead position in sales per store in 2017. If you look at the sales gross profit chart in the bottom right I think you'll see that that also amplifies the productivity of this equation and this being executed relatively well.

Lets go to Latin America on Slide 24, you'll see here we're a little slower getting to the market. We're closing the gap. The charts on the top half of this slide are lending metrics, we've almost closed the gap on pawn loans outstanding by 2017. If you look at the pawn service changes in the upper right chart, you can see we're getting much better yield on pawn loans. We're investing less in our loan portfolio in Latin America and we're getting more financial return on a per store basis. Looking at the bottom two charts which is what happens to forfeitures, you see the same kind of thing. The gap is closing on sales per store and sale gross profit per store.

Please turn to Slide 25, there are two points I want to make here. One is we now have a new operating system. That new operating system is being rolled out throughout the company. It is in 182 stores. It's in Florida and Texas. A few months ago, we had some hurricanes that impacted virtually all our stores in Florida, and many stores in Houston and coastal areas of Texas. We slowed down the roll-out of the system at that time because we had to concentrate on a lot of other things related to hurricanes in those two states. The system is working well and there's some refinements that are making it work even better.

I talked about the moment of truth when that customer comes into the store to get that loan. They want as much as they can get for their product, and we have to be careful exactly how much we give them because if we give them too much, they're tempted to just let it forfeit and they could replace it with something from somewhere else. Or if we give them too little, the next time they need a loan, they're going somewhere else.

Prior to our new point of sale system, at that moment of truth with the customer, we had to go through five different screens in the previous system to abstract information, plus use a hardcopy written grid to actually put a loan to value into the equation to be able to generate that loan for the customer. In our upgraded point of sale system, it does all that for our team, and it gives them all the data in one screen. It gives them a loan amount range, and based on their interaction with the customer, visual cues of the customer and the like, they can take that loan amount up or down within the range to reflect the value of the customer. Not only is it much more efficient, that's not the primary benefit, the primary benefit is it's much more accurate than having a team member go through five different screens in the previous system and calculations from a hardcopy written grid to determine the loan amount.

This is an intelligent system that's actually providing calculated information to our team members and allows them to just execute. It's much faster, much more efficient and it's much more accurate in assessing the loan amount and it opens the door to be able to quickly access a lot of additional information on the customer and product. I think one of the biggest challenges we have in the pawn business is when we have a customer come in who's never been in that store before. Just think, if we could get some insights on which of those customers will retain the product, which of those customers will forfeit the product and how that relates to loan to value and all those kinds of things. Mark is going to talk a little bit about that now.

Mark DeBenedictus:

[Slide 26] Thank you, Joe, for that introduction. Look, we've been talking about this transformation journey, this has been going on for a few years, so what I'm going to talk about today isn't to build the systems, these systems are there and now we're rolling them out and it's actually a learning process we're going to go through and refine them with data to understand customers so we can change our perspective of that customer in very short cycles and have an impact at that moment of truth - what the value of that loan is going to be - that Joe indicated. Again, this is a lending business, but with a retail sales function for forfeitures, and we need to keep that in mind, and that's our core capability and the data we're looking at has to be able to be predictive in those areas.

With that, as we go to Slide 27, I'll walk you through each piece of the puzzle on this slide. There are three groups or areas on the systems—customer-facing, team member-facing and what I would call back office—all those pieces have to work together to provide a very seamless, effective mechanism for our business to function. Over the last three years, all of those pieces have been under significant renovation and they're now in place.

I'm going to talk about how we have a foundation now to become the intelligent provider of the services and help you really understand the breadth of other things we can provide to this customer to maximize the value to them and the value for us as shareholders. Joe and I always talk about how we are beyond the building phase, it's now about thinking and creating intelligent technology that is solving the problems at that moment of truth – what the value of that loan is going to be.

If we turn to Slide 28. You've heard a lot of our conversation about the upgraded point of sale system and the green screens of the past, all this confusion, are gone. As Joe said, we've got a lot of efficiency from a user interface standpoint, freeing up our team members to spend time doing what they need to do to move it from a transaction to an engagement model with our customers. This point of sale system that we keep talking about is really beginning to free up team associates to really do what they need to do and maximize for our customer and for the firm the best value that we can deliver. There's an example that Joe used. We know that our system can provide about 30% reduction in the number of clicks and the amount of data entry necessary to initiate a loan.

If we go to Slide 29, then we can talk about this new intelligent word we're talking about here. We do have customer grading and dynamic pricing in the upgraded point of sale system. Those features on customer grading have a set of criteria that we look at. This is about amplifying that criteria. Through data analytics, we know that we can add more criteria so that we can understand the customer and predict their ability and willingness to pay. For instance, we know redemption on loans around payday, but we also can now understand the time of day where we have a higher probability that the customer will either forfeit their loan or redeem it. With that intelligence, we can now put that in front of our team members to make better decisions about, again, that moment of truth, what the value of that loan is going to be.

If we move to Slide 30, following along that path, our capability can give to our team members an assessment of the value of the product the customer brings into the store, but this is about bringing it to the next level now, by tweaking through our data analytics we can begin to understand several data sets. If you think about general merchandise like televisions or computers, we can actually start getting predictive about the forward price curves of that unit. Again, we'll know not just how much we sold that model in the past, but also potentially know if there is going to be a big move in technology that's going to cause that product to lose a lot of value in the short term. So, again, we can get a better view of what the value of that product is going to be.

If we move to Slide 31, this now gets to move us from that customer-facing kind of technologies to areas that our team members are facing. We're rolling out a management system. This gives us a view across the board of how and when we have team associates in stores based on our prediction of customer demand—foot traffic—so again, this is about lining up our staff at the appropriate times to deliver the appropriate service to our customer base. Before it was not based on a lot of data analytics, and now we're pulling information from previous customer history and traffic in that store because we don't want customers waiting in line to be serviced. The faster we can service each of those customers, the more value we can generate for the firm.

If we go to Slide 32, our enterprise reporting, again, helping our team members make decisions. Again, cloud-based solutions that we're using, so it's scalable, the economics are efficient for us but also gives another level of sophistication for our team members when they're looking at data around the performance of our sales or our discounting. For instance, we could see that discounting a little bit earlier but a little less of a discount, we can actually move inventory faster and create better value for us.

Slide 33 is our cloud-based electronics. Obviously we're global and will continue to grow globally. Having a cloud-based collaborative work environment is really important. As we acquire and integrate them into our team, being able to efficiently communicate with them beyond just voice is really important for us to enhance the speed and quality of that integration. These kind of tools will allow us to execute initiatives a lot faster also.

Moving to Slide 34, I'm excited we've taken a nascent data analytics structure, and we're mining a lot of insights. We have a treasure trove of data that's not been harvested. Analytics on our customers to allow us to continue to grow and be sophisticated about that moment of truth - what the value of that loan is going to be.

Slide 35, the last piece of this puzzle is around a lot of the back office functions, and that's about global scale and we've moved to a cloud provider for all of our infrastructure, which gives us a lot of speed. Traditionally, we would measure the integration of acquisitions in months and years. Now we're measuring within weeks. For instance, in our recent acquisition in Mexico, our systems will be up and running within four to eight weeks. In our recent acquisition of GuatePrenda, we will need five months, but there is a lot of legal ramifications through that. The systems are not holding us up. We can actually proliferate our capability globally pretty quickly from front to back, from the point of sale all the way to the infrastructure that delivers it with the foundation we have today. This creates a huge advantage for us in speed as we grow and acquire.

If we go to Slide 36, the focus is on velocity - capabilities that we can implement faster than anyone else. It's about economic efficiency - we've removed a lot of capital that used to sit on the back-end and we'll put it to where it counts in the front-end so we can deploy capital to acquisitions versus data centers and infrastructure. Scalability - we can move pretty quickly and grow our organization or right-size the organization if we need to and eliminate those costs quickly with the capabilities we have.

With that, I'm going to turn it back over to Stuart.

Stuart Grimshaw:

[Slide 37] Thanks, Mark. What I want to do is just run through a bit of a summary as to where we are. I think we already know the attractiveness of the industry and the customer base, and Joe touched on that really well. I think the exciting thing for us is we've spent quite a bit of time today on how we've pretty much reinvented the company, and particularly the relationship with the customer, and the relationship with our employees. The ability to actually access data in a timely and relevant basis gives us what we believe is a competitive advantage in the industry. The thing that Mark was also touching on is it's an iterative process, this is not a set it and forget it. This is actually where we start talking about how we get the machines to enhance the speed at which we can deliver and give better execution for our customer and for our people. It has taken some time, but what we're getting access to now is quite staggering given the data lakes that have been established and the analytics that's being delivered to enable us to actually get things to the front.

What we've tried to get out to you today is this is actually live; this is not a promise that is going to happen. It is actually happening now. It is going to get better. We're already iterating into its second iteration with all the learnings that we've had. We've got data scientists on board to help deliver as well. So we've changed this company to I think is a really smart company about how we manage relationships with our customers. That's probably the most exciting development we've had. We've spent a lot of time getting the company back to focusing on the core customer. We now know more about that core customer than we ever had at any stage in our evolution and we believe we're in the stage where we can leverage it.

We're already achieving market leading PLO growth. We think our systems will help sustain that growth and help the customers and our team members be more proactive with customers coming into the store. The strength we've been able to deliver in the last few months is geographical diversification. The systems that we developed give us scalability very quickly and that's an advantage for us as we look for future opportunities, de novo and acquisitive.

Those are our very short overview. Now we'll open it up for questions.

Q: Investor: Thanks. That was really helpful running through all the enhancements you made on your systems. It would be helpful if you can describe differences in your systems in Latin America versus the

U.S. because there are some differences in the respective markets whether it's the pricing of some merchandise in Mexico versus the U.S.? Do they operate separately or are they integrated and what are the differences?

A: Joseph Rotunda, EZCORP: I'd say it's the same base systems that we have in Latin America and the U.S. Think of them like this. It's a different language, of course, but to get beyond that, in the U.S. every single state has different parameters from statutory amounts you charge and other factors that have to be incorporated into it. Going to Mexico is almost like going from Texas to Oregon and the type of changes that you'd have to make, notifications to customers and other things. Mark just talked about the acquisition we did in Mexico. That acquisition is going to be on our new point of sale system, not our legacy system, but on the brand new system.

In addition to that, they have some additional products in Mexico that we don't have in the U.S. and the system is able to accommodate the type of products to make everything work. It's very adaptable.

A: Mark DeBenedictus, EZCORP: Technically, the answer is it's a very configurable system. There will be configurations for regulations within each state and country. With that architecture, we'll roll it into GuatePrenda and everywhere else by changing the configuration that's there.

Q: Investor: Hi. Can you give us a sense of the most recent acquisitions you made in Guatemala and Peru, a better feel for what the customer looks like? I know in the U.S. you talked about how underbanked we are here but obviously in those countries it's even more dramatic. How is the painter who comes into a Guatemala pawn store contrast with the painter who goes to a Waco Texas store? Thanks.

A: Joseph Rotunda, EXCORP: I think it's the exact same customer. I'd go back to cash and credit constraint. The customer brings something of value in, pledges it and then it's totally up to them whether they redeem it or not. The big difference in stores acquired in Latin America is most of the transactions were on jewelry, that's the primary collateralized product. As we provide more loans on general merchandise, we are going to probably see some amplified demand for cash as it becomes more easily accessible for them.

A: Mark DeBenedictus, EZCORP: Yes, just to add to that from a data perspective. There are slight differences in product set. The customer grading we're talking about is structured in a way that we will customize for markets.

Whether there's a product difference or a behavioral difference, we can see that and our grading modules can actually adapt that to the Mexico market or other markets.

Q: Investor: In the stores where you have introduced the point of sale system, what change in metrics have you seen in those stores with the point of sale system?

A: Joseph Rotunda, EZCORP: I don't think we've seen anything of note because we haven't had them out long enough to really see a change in trend.

A: Danny Chism, EZCORP: Of the 182 stores with the upgraded point of sale, I think 80 of those were installed in October. So the results are still preliminary.

A: Stuart Grimshaw, EZCORP: I would say the feedback about the point of sale system from the staff is it's an intuitive system. The early feedback from the staff is it takes just two days to train a person and we initially budgeted about a week to two weeks to get them up and running. We're finding they're up and running in two days. The initial feedback and benefit is from our staff and then we'll see it from the customer.

Q; Investor: What are your expectations for improvement from the point of sale system?

A: Stuart Grimshaw, EZCORP: I think the quality of the loan portfolio and sustaining the yield over time. The other element is the efficiency of capital. One of the things that Joe mentioned was that if we know more about our customers, particularly the first time customers, we will probably make more purchases than loans at the low end of the customer grading, that will allow us to move capital more quickly and we should see it come through in the gross margin. When I look at the data that we're talking about, the customer grading really gives you a probability of default equation and your dynamic pricing gives you expected sales value given a default equation. The business analytics is like an advanced CRM tool. If you think of those three things, you can actually work your capital equation pretty well around how we actually manage the business.

Q: Investor: Stuart, you're saying your customers are getting more and more divided by loan customers versus sale customers. Is that what you're saying?

A: Stuart Grimshaw, EZCORP: We're actually in a better position to understand which customers will forfeit versus which will redeem, with that knowledge we can actually make determinations on loan values or a purchase. It's a much more efficient way of looking at the customer relationship. For instance, some of the data we know that under a certain age group, if they come in for a loan, 80% of them are going to default, not make one payment; the system directs you to make a purchase decision rather than a loan to those customers.

Q: Investor: Even though it's a high probability that the customer is going to be a default or a non-redeemer, do you still start with a loan?

A: Joseph Rotunda, EZCORP: If we're really convinced that they're going to forfeit, they just want to buy the product because then we can have it out in the showroom floor for sale in a few weeks. If we take the product in as collateral on a loan, it's going to sit in the back room for 60 days, tie up capital and it's just not efficient.

The real opportunity is if we're able to gather in the system analytics on all of our new customers and understand what the clues are that the customer is going to redeem or forfeit, we're going to be able to pick out various characteristics on new customers and know that we should purchase the item or make a loan to the customer based on that. That's how this technology is going to bring us forward.

Q: Investor: I think in the past you mentioned that the point of sale system was really an overlay in historical data and that the dashboard interface improved at the store level. Is that still the case or are you building this thing from scratch? Have you gone back in time to kind of utilize the data that was there previously and migrated it to the cloud?

A: Mark DeBenedictus, EZCORP: You asked a couple questions. The data itself, we've had access to that historical data but has not been as prevalent, we're trying to now access and mine the data. As far as the system, the architecture of that system allows us to provide our associates with all that historical data in a way that is easy for them to understand and also in a way to do the math for them to determine a good product value for the specific customer in that moment of truth - what the value of that loan is going to be. We have that in the system today. What it's not yet is the next iteration that really makes it begin to get smart, taking external data sets, really looking at other characteristics of this customer, whether that's social media or whether that's public data to help predict the value of the product. We use all the historical data today in the system, tomorrow we can start adjusting it and bringing in more data sets.

Q: Investor: This is a proprietary system to you guys or are you using a vendor for it?

A: Mark DeBenedictus, EZCORP: The point of sale is our IP and I think makes us competitive. Other things for the cloud, we're using providers to bring that. We're going to buy things from people that are much better and have a road map of technology, whether that's office products or whether that's infrastructure.

A: Joseph Rotunda, EZCORP: We've never been able to mine the data before to determine the implications. I mean, that's the stone age compared to what we're able to do now.

Q: Investor: My question is how this system might impact labor rates. It certainly makes sense that you don't have to work as hard to come up with the right loan amount, less clicks, more time to interact with the customer. Do you foresee that potential to be a situation where maybe down the road you don't need as much labor in the stores, or is that as you grow your business you can just keep the current level of labor to allow for more scale and higher margin contribution?

A: Joseph Rotunda, EZCORP: You mentioned rates, as well as the magnitude of labor hours. The rates, we're going to continue to pay a good range to our people, we have a lot of incentives for them to keep them focused on what we expect them to do, and I think we'll continue to do that as we move forward. We would like to be totally self-sufficient; we'd like to have every store manager come within our organization, every (inaudible).

A: Stuart Grimshaw, EZCORP: The idea is being more productive, so get more out of that unit cost of labor. Labor cost might go up because we're actually shooting our revenues out. So that's a good cost. So that's what we really want to focus on.

A: Joseph Rotunda, EZCORP: One complication to this, and we have to keep this in mind when you're talking about labor. We've found there are intense periods of high transactions in the weekends and we have to have enough people in each store that we're able to staff and take care of those customers when they're coming in. Other examples are around payday, the first or fifteenth and Fridays, the customer has the cash, they're coming in to buy merchandise or redeeming loans, we have to have everybody available and working. We're probably not going to reduce the number of people in the store. We have found part timers create a lot of turnover. We're in the relationship business where in every single customer interaction, you want to have some familiarity with the customer. We want to maintain that stability.

Q: Investor: My last question is you mentioned the Mystery Shopper Program. Can you talk in general what the score was across the store base two years ago, a year ago, today, in terms of how they handled the customers and scoring.

A: Joseph Rotunda, EZCORP: Remember, the measurement changes each year, because we enhance it as we go forward. We want to put more focus on where we're not particularly strong. It's in effect we develop a scoring mechanism that once you achieve it, it becomes more a requirement of changes needed and the scores go down again. I would say when we first rolled it out in 2015, we were sub 50% and that was not good. It took a while to get it up to an acceptable level, and we strive to make improvements. It is a coaching tool for our team members.

A: Stuart Grimshaw, EZCORP: When we did the very first series of roll-outs of the Mystery Shop Program wherein Joe and I were with the district managers, we watched about 10 videos. If you ever want to figure out how much improvement is required, it's good to watch it on video.

Q: Investor: You didn't go undercover, Stuart? It's not Undercover Boss?

A: Stuart Grimshaw, EZCORP: My accent would give me away. What was interesting is we had the district managers sitting around and three of the mystery shop videos were really bad ones. They were just appalling. The district manager said, "Oh, that's alright, that is a part timer," and then Joe and I said, "Well, it's the customer," So that's when we made the decision that full time employees are the only way that we can run this business. The Mystery Shop Program is a very valuable tool for us to making some decisions around how we run our business.

Q: Investor: I was wondering how the point of sale system takes into account technological obsolescence of merchandise for sudden changes in the market value of merchandise?

A: Joseph Rotunda, EZCORP: We have product lifecycle pricing. You have a pretty good idea with what's going on with retail pricing. We know that with LCD versus LED, there's very little difference in the customer's perception on them right now as far as technology, but some of the LCDs have this faulty frame around it, but some don't, and what we have to do is—we just identified this so we start on a projection of loan values on some LCDs. We keep getting in front of technologies we know about. For example, game systems, same thing. We know new game systems are coming out, which they generally do each year, and we reprice the older game system. A tool can have old batteries that can sometimes be adverse in that kind of category because batteries go bad, unfortunately.

Q: Investor: Joe, with the point of sale system that you have now, is it just very carefully tracking inventory by SKU? Is that as good a method to adjust your pricing as trying to be predictive in technology flows like product cycle and all that sort of thing?

A: Joseph Rotunda, EZCORP: We have a markdown cadence for our products. Once it hits the showroom floor, there are very specific markdown amounts and timing of those markdowns. What we measure is the sell through of the product and at what price and the period of time it sold. That merchandise sale price and timing along with customer evaluation helps in establishing loan to values.

Q: Investor: I just wanted to ask kind of a macro question. In general, do you think the subprime underbanked consumer is getting more or less access to credit at this point and where do you think we are in the cycle and thoughts going forward on their access to credit?

A: Joseph Rotunda, EZCORP: Well, what we've seen over the last few years, it seems with the growth of the portfolio there is higher demand, at least from our perspective on that. There's so much going on politically, the CFPB and with payday lending and some of that may be easing up, I think we still have a customer who has the need for cash. It very hard to identify the scale.

Q: Investor: Joe, clearly the two hurricanes have impacted a lot of your stores. Presumably a lot of the merchandise was damaged and now out of that circulation. In your experience, how long does it take to sort of rebuild the pawn balance and make up for all the goods that were lost?

A: Joseph Rotunda, EZCORP: It's extremely hard to tell. We look back at a couple natural disasters in the past, it took literally months to be able to get back to where they were prior to the natural disasters. They've never had anything as devastating as we had in 2017 in Florida and Houston as well as the coastal area of Texas. It affected probably 35% or 40% of our stores, a high proportion of our stores. You'll see our financial numbers as we publish them. What I think is going to happen, and I hope will happen, is there's this lifecycle with pawn and there's the period of time when you get through February and March when tax refunds come out and your portfolio is brought down and it's like starting a whole new cycle all over again. As I look at it, I would think that with everything that's happened that's probably where it's going to converge as it goes through that cycle and gets back to growth.

Q: Investor: I guess a question for Stuart. It's not lost on the stock market investors that you all now are able to make acquisitions, the balance sheet is much better, you've made these recent deals and I think the market's rewarded you for that. I guess I'm trying to get some insight into how do you feel about your ability to grow in the future? Obviously there's one bigger player out there who also looks at a lot of the same deals, but I don't think we all have a good sense of how that happens and I know some of it is with existing relationships and some is ad hoc. Do you feel now that you have the ability to sort of move the company quicker in this area because of the flexibility that you created on the balance sheet and should we expect more bolt-on deals like those seen in the last couple of months?

A: Stuart Grimshaw, EZCORP: We've always been very circumspect about how we invest. Our past history many years ago the company's acquisitions were not stellar. We're focusing on acquisitions that we know the customer, so that's very important. The most recent acquisition we did of GuatePrenda has given us beachheads in Latin America that we haven't had. We will be looking to see where there are add-ons that make sense for us. If you look at somewhere like Peru we've only got 11 stores. Lima is 15 million people and we have 11 stores. We would look for both de novo and potential acquisitions.

It depends on the returns we get and then we look at a lot of stuff, and as we've always said, the price expectations are always somewhat complex the way we look at it. We do want to grow the business, which is the fundamental path we've put ourselves on now. We've worked hard for three years to put ourselves in this position. The thing I would say is we do look at a lot of stuff. If we do acquire, it will be something that is accretive to us and it will be something that makes a lot of sense for us as well.

Q: Investor: But would you say there's more momentum now than there was a year ago? For example, in Peru you have a foothold there that you can look there for opportunities.

A: Stuart Grimshaw, EZCORP: I was in Peru on Monday. These are rapidly growing markets that are very attractive to us, and as Joe mentioned, typically in Peru it's 90% jewelry, 10% general merchandise. The opportunity to actually start rebalancing their portfolio with the skills that we have around the general merchandise, which are quite unique in that Latin America area are very exciting to us. And maximize the returns out of a very substantial U.S. business and invest in high growth markets is a very good portfolio play.

Q: Investor: I had a question on capital allocation, and then also one on taxes. For the acquisitions, what's your decision-making and thought process on paying cash versus equity for an acquisition, and when you're doing bond offerings, how do you decide whether to make it convertible versus non-convertible?

A: Stuart Grimshaw, EZCORP: The simple answer is, it depends, which is always a good answer to some. We went to the convertible market because it is a zero covenant, low interest rate, and long term. We added duration. We were previously using a secured financier with an average cost probably four to five times higher than the cost of the convert. Efficiently-wise, it made a lot of sense. I don't like giving security, tying up your balance sheet and reporting financial results to financiers every month is not a great way for management to spend time.

I'm very hesitant on the nature of the debt. Financiers are more conservative than equity holders so they look at historical financials, they look at risk historically and not forward-wise, so that's a very difficult equation to get them through whether it's a high yield market or a straight bank debt market. We still are in an industry, where certainly in the U.S. there have been changes at the CFPB, as soon as you have the word pawn in your name, it does create hesitancy amongst lenders. While we used cash for the recent small acquisition in Mexico, I don't want to remove the liquidity flexibility we have from our balance sheet, I think having flexibility and having substantial resources is the best thing to have particularly if something changes. We've seen instances in secured markets where banks have wanted their money back and caused a lot of fracture in companies which destroyed value for equity holders.

It's a balance of all the things that are coming through with size, timing, access, duration's important, and cost. Anything we look at is accretive, that actually gives you opportunities to use instruments. We look at a range of opportunities of funding. When I said it depends, it does depend. It depends on the time, it depends on the conditions and it depends on the size.

Q: Investor: I was wondering with the current tax bill, if it were to be passed as it currently is with a 21% corporate tax rate, how big of an impact do you think that would have on your EPS?

A: Stuart Grimshaw, EZCORP: It's not dollar for dollar. There are offsets that come through. The government gives on one hand and takes on the other. There's a bit of good and bad that will flow through.

A: Danny Chism, EZCORP: I would say it's a bit of a moving target right now. The House and Senate bills were different and it sounds like they're at least close to an agreement. Stuart mentioned it's not dollar for dollar. There are some puts and takes. If you think about state taxes, for instance, we today get a 35% Federal benefit for any taxes I pay to a state; tomorrow I'm going to get 21% benefit so that negatively affects our overall rate. There are other changes from current income tax on executive compensation deductions to a myriad of different changes that we're putting through that will offset some of the overall tax rate reduction.

Overall, the tax bill will be helpful, it will be a net positive.

Q: Investor: I just wanted to follow-up on capital allocation. Obviously you talked about the acquisition side, but how do you weigh that against remodeling the stores in the U.S., investment in technology, and other uses of capital?

A: Stuart Grimshaw, EZCORP: We look at capex two ways. What's mandatory? You always have mandatory costs to go through. What do we need to do? There's the store refresh program which we haven't had one for around seven years. Then there's other investments that have value. In the last three years we've been investing in data and systems. We look at the lifespan, depreciation, cost, the impact on the P&L as a result of it, and the return. We do our IRR calculations on the investments.

When it comes to acquisitions, if you run your business planning around acquisitions you probably won't do one. A lot of it's opportunistic. Going back to David's question, opportunities come up all the time. We pass on a lot. If it's large size then you can't plan for it. If it's de novo stores, such as we're doing in Mexico, we can plan for those sort of things. We're very focused on balancing the integrity of the business versus the growth. Each year we sit down and try to balance it up. There will be unusual events such as the stores in Mexico we just acquired. In fact, that was not planned, we knew people and the opportunity came up. I look at economic return. All the things that you would expect in capital allocation.

Q: Investor: Where are you on store refurbishing?

A: Stuart Grimshaw, EZCORP: We think we completed about 75 in the prior fiscal year, and we'll do another 75 this fiscal year.

A: Joseph Rotunda, EZCORP: The store refresh program is also adding merchandising capacity and flexibility in the stores.

Stuart Grimshaw, EZCORP: Thanks everyone for listening and joining us on the webcast. Also, thanks to everyone for attending today. We really appreciate the interest in the Company. Thanks very much for your support.

Operator: This concludes today's conference call. You may now disconnect.