

SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, DC 20549  
 FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR  
 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR  
 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO  
 FEE REQUIRED]

For the transition period from \_\_\_\_\_ to  
 \_\_\_\_\_

Commission File Number 0-19424

\_\_\_\_\_  
 EZCORP, INC.

(Exact name of registrant as specified in its charter)

Delaware 74-2540145  
 (State or other jurisdiction of (IRS Employer  
 incorporation or organization) Identification No.)

1901 Capital Parkway  
 Austin, Texas 78746  
 (Address of principal executive offices)  
 (Zip Code)

(512) 314-3400  
 (Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has  
 filed all reports required to be filed by Section 13 or  
 15(d) of the Securities Exchange Act of 1934 during the  
 preceding 12 months (or for such shorter period that the  
 registrant was required to file such reports), and (2) has  
 been subject to such filing requirements for the past 90  
 days. Yes X No\_\_

APPLICABLE ONLY TO CORPORATE ISSUERS:

The only class of voting securities of the registrant  
 issued and outstanding is the Class B Voting Common Stock,  
 par value \$.01 per share, 100% of which is owned by two  
 record holders which are affiliates of the registrant.  
 There is no trading market for the Class B Voting Common  
 Stock.

As of March 31, 1996, 6,980,591 shares of the  
 registrant's Class A Non-Voting Common Stock, par value \$.01  
 per share and 5,019,176 shares of the registrant's Class B  
 Voting Common Stock, par value \$.01 per share were  
 outstanding.

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PART I

Item 1. Financial Statements (Unaudited)

EZCORP, Inc. and Subsidiaries  
Condensed Consolidated Balance Sheets (Unaudited)  
(Dollars in thousands)

	March 31, 1996	September 30, 1995
ASSETS:	-----	-----
Current assets:		
Cash and cash equivalents	\$ 9,900	\$ 4,593
Pawn loans receivable	28,893	39,782
Service charge receivable	8,671	11,452
Inventories (net)	36,128	41,575
Other	4,984	9,839
	-----	-----
Total current assets	88,576	107,241
Property and equipment, net	35,020	36,596
Other assets:		
Excess purchase price over net assets acquired	13,337	13,574
Other	6,877	7,177
	-----	-----
Total assets	\$143,810	\$164,588
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Borrowings under credit agreement	\$ 21,000	\$ -
Accounts payable and accrued expenses	8,549	10,026
Other	2,448	2,271
	-----	-----
Total current liabilities	31,997	12,297
Long-term debt less current maturities	1,330	42,916
Stockholders' equity:		
Preferred stock none outstanding	-	-
Class A Non-voting Common stock 6,980,591 shares outstanding at March 31, 1996 (6,967,867 at September 30, 1995)	70	70
Class B Voting Common stock 5,019,176 shares outstanding	50	50
Additional paid-in capital	114,301	114,236
Retained earnings	(3,166)	(4,209)
	-----	-----
Other	111,255	110,147
	(772)	(772)
	-----	-----
Total stockholders' equity	110,483	109,375
	-----	-----
Total liabilities and stockholders' equity	\$143,810	\$164,588
	=====	=====

See Notes to Interim Condensed Consolidated Financial  
Statements (unaudited).

Condensed Consolidated Statements of Operations (Unaudited)  
(Dollars in thousands, except per share amounts)

	Three Months Ended March 31,		Six Months Ended March 31,	
	1996	1995	1996	1995
Revenues:				
Sales	\$28,721	\$25,870	\$60,837	\$57,311
Pawn service charges	16,797	17,369	36,112	35,681
Total revenues	45,518	43,239	96,949	92,992
Cost of goods sold	24,837	21,670	52,830	47,730
Net revenues	20,681	21,569	44,119	45,262
Operating expenses:				
Operations	15,214	15,696	31,769	32,695
Administrative	2,732	3,346	5,673	6,246
Depreciation and amortization	1,851	1,779	3,745	3,535
Total operating expenses	19,797	20,821	41,187	42,476
Operating income	884	748	2,932	2,786
Interest expense	521	756	1,283	1,492
Income (loss) before income taxes	363	(8)	1,649	1,294
Income tax expense	145	11	607	472
Net income (loss)	\$ 218	\$ (19)	\$ 1,042	\$ 822
Earnings (loss) per share	\$ 0.02	\$(0.00)	\$ 0.09	\$ 0.07
Weighted average shares outstanding	11,990,723	11,978,719	11,985,721	11,978,521

See Notes to Interim Condensed Consolidated Financial Statements (unaudited).

EZCORP, Inc. and Subsidiaries  
Condensed Consolidated Statements of Cash Flows (Unaudited)  
(Dollars in thousands)

	Six Months Ended March 31,	
	1996	1995
OPERATING ACTIVITIES:		
Net income	\$ 1,042	\$ 822
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,745	3,535
Changes in operating assets and liabilities:		
Decrease in service charge receivable	2,781	840
Decrease in inventories	5,447	1,332
Increase/(decrease) in accounts payable and accrued expenses	(1,477)	810
Decrease in income taxes payable	-	(3,469)
Decrease in income taxes recoverable	4,236	-
Other	656	(1,453)
Net cash provided by operating activities	16,430	2,417
INVESTING ACTIVITIES:		
Pawn loans forfeited and transferred to inventories	28,722	25,978
Pawn loans made	(74,630)	(97,471)
Pawn loans repaid	56,797	75,598

Net decrease in loans	10,889	4,105
Additions to property, plant, and equipment	(2,184)	(4,791)
Sale of assets	761	-
Issuance of notes receivable to related parties	-	(3,000)
Net cash provided/(used) in investing activities	9,466	(3,686)
FINANCING ACTIVITIES:		
Proceeds from bank borrowings	1,000	6,500
Payments on borrowings	(21,589)	(5,071)
Net cash provided/(used) by financing activities	(20,589)	1,429
Increase in cash and cash equivalents	5,307	160
Cash and cash equivalents at beginning of period	4,593	6,267
Cash and cash equivalents at end of period	\$ 9,900	\$ 6,427
	=====	=====

See Notes to Interim Condensed Consolidated Financial Statements (unaudited).

#### EZCORP, Inc. and Subsidiaries

Notes to Interim Condensed Consolidated Financial Statements (Unaudited)  
March 31, 1996

#### Note A - Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring entries) considered necessary for a fair presentation have been included. The accompanying financial statements should be read with the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended September 30, 1995.

The Company's business is subject to seasonal variations, and operating results for the three- and six-month periods ended March 31, 1996 are not necessarily indicative of the results of operations for the full fiscal year.

#### Note B - Accounting Principles and Practices

The provision for federal income taxes has been calculated based on the Company's estimate of its effective tax rate for the full fiscal year.

For purposes of comparison, the Company reclassified \$1.4 million and \$3.0 million of scrap jewelry sold to "sales" from "cost of goods sold" for the three- and six-month periods ended March 31, 1995, respectively.

The Company provides inventory reserves for shrinkage and cost in excess of market value. The Company estimates these reserves using analysis of sales trends, inventory aging, sales margins and shrinkage on inventory. As of March 31, 1996, inventory reserves were \$7.8 million.

During fiscal 1995, the Company established a \$7.7 million provision for the closing and consolidation of thirty-two (32) of its stores and for the write-down of included tangible and intangible assets. As of March 31, 1996, thirty-one (31) of these stores had closed and one (1)

was still in operation. The March 31, 1996 accrued liability for store closings is \$0.8 million, principally for estimated rent obligations. The \$6.9 million reduction in the provision is attributable to the write-down of fixed and intangible assets for the thirty-one (31) stores that have closed and other closing expenditures.

In October 1995, the Financial Accounting Standards Board issued FASB Statement No. 123, "Accounting for Stock Based Compensation" which prescribes accounting and reporting standards for all stock-based compensation plans. The Company is required to adopt the Statement for its fiscal year that begins October 1, 1996 and is presently evaluating the Statement. The Company has yet to decide upon the alternatives provided in the Statement.

Note C - Earnings Per Share

Earnings per share calculations assume exercise of all outstanding stock options and warrants using the treasury stock method of calculation. The per share calculation excludes these common equivalent shares as their effect is anti-dilutive.

EZCORP, Inc. and Subsidiaries  
Notes to Interim Condensed Consolidated Financial Statements (Unaudited)  
March 31, 1996

Note D - Litigation

The Company is involved in litigation relating to claims that arise from time to time from normal business operations. Currently, the Company is a defendant in several lawsuits. Some of these lawsuits involve claims for substantial amounts. While the ultimate outcome of these lawsuits involving the Company cannot be ascertained, after consultation with counsel, it is management's opinion that the resolution of these suits will not have a material adverse effect on the Company's financial condition. See Item 1. Legal Proceedings.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Second Quarter Ended March 31, 1996 vs. Second Quarter Ended March 31, 1995

The following table sets forth selected, unaudited, consolidated financial data with respect to the Company for the three months ended March 31, 1996 and 1995.

	Three Months Ended March 31, 1996	March 31, 1995	% or Point Changea
	-----	-----	-----
Net Revenues:			
Salesb	\$28,721	\$25,870	11.0%
Pawn service charges	16,797	17,369	(3.3%)
	-----	-----	-----
Total revenuesb	45,518	43,239	5.3%
Cost goods soldb	24,837	21,670	14.6%
	-----	-----	-----
Net revenues	\$20,681	\$21,569	(4.1%)
	=====	=====	=====
Other Data:			
Gross profit as a percent of salesb	13.5%	16.2%	(2.7 pts.)
Average annual inventory turnover	2.5x	1.3x	1.2x
Average inventory balance per location as of the end of the quarter	\$151	\$240	(37.1%)
Average loan balance per location as of the end of the quarter	120	135	(11.1%)
Average yield on loan portfolio	212%	203%	9.0 pts.
Redemption rate	78%	75%	3.0 pts.

Expenses as a Percent of Total Revenues:b			
Operating	33.4%	36.3%	(2.9 pts.)
Administrative	6.0	7.7	(1.7 pts.)
Depreciation and amortization	4.1	4.1	- pts.
Interest, net	1.1	1.7	(0.6 pts.)

Locations in Operation:		
Beginning of period	238	243
Acquired	-	-
Established	2	7
Sold, combined or closed	-	-
	----	----
End of period	240	250
	=====	=====

Average locations in operation during the periodc	239.0	246.5
	=====	=====

- a In comparing the period differences between dollar amounts or store counts, a percentage change is used. In comparing the period differences between two percentages, a percentage point (pt.) change is used.
- b Sales from scrap and wholesale activity were reclassified from cost of goods sold to sales. All 1995 amounts have been adjusted as a result of this reclassification.
- c Average locations in operation during the period is calculated based on the average of the pawnshops operating at the beginning and end of such period.

Six Months Ended March 31, 1996 vs. Six Months Ended March 31, 1995

The following table sets forth selected, unaudited, consolidated financial data with respect to the Company for the six months ended March 31, 1996 and 1995.

	Six Months Ended March 31,		% or Point Changea
	1996	1995	
	-----	-----	-----
Net Revenues:			
Salesb	\$60,837	\$57,311	6.2%
Pawn service charges	36,112	35,681	1.2%
	-----	-----	-----
Total revenuesb	96,949	92,992	4.3%
Cost of goods soldb	52,830	47,730	10.7%
	-----	-----	-----
Net revenues	\$44,119	\$45,262	(2.5%)
	=====	=====	=====

Other Data:			
Gross profit as a percent of salesb	13.2%	16.7%	(3.5 pts.)
Average annual inventory turnover	2.5x	1.8x	0.7x
Average inventory balance per location as of the end of the quarter	\$151	\$240	(37.1%)
Average loan balance per location as of the end of the quarter	120	135	(11.1%)
Average yield on loan portfolio	209%	201%	8.0 pts.
Redemption rate	77%	75%	2.0 pts.

Expenses as a Percent of Total Revenues:b			
Operating	32.8%	35.2%	(2.4 pts.)
Administrative	5.9	6.7	(0.8 pts.)
Depreciation and amortization	3.9	3.8	0.1 pts.
Interest, net	1.3	1.6	(0.3 pts.)

Locations in Operation:		
Beginning of period	261	234
Acquired	-	-
Established	4	16
Sold, combined or closed	(25)	-

	----	----
End of period	240	250
	====	====
Average locations in operation during the periodc	250.5	242.0
	=====	=====

- a In comparing the period differences between dollar amounts or store counts, a percentage change is used. In comparing the period differences between two percentages, a percentage point (pt.) change is used.
- b Sales from scrap & wholesale activity were reclassified from cost of goods sold to sales. All 1995 amounts have been adjusted as a result of this reclassification.
- c Average locations in operation during the period is calculated based on the average of the pawnshops operating at the beginning and end of such period.

## Results of Operations

The following discussion compares results for the three- and six-month periods ended March 31, 1996 ("Fiscal 1996 Periods") to the three- and six-month periods ended March 31, 1995 ("Fiscal 1995 Periods"). The discussion should be read in conjunction with the accompanying financial statements and related notes.

During the three-month Fiscal 1996 Period, the Company opened two (2) newly established stores. During the twelve (12) months ended March 31, 1996, the Company opened twenty-one (21) newly established stores and closed thirty-one (31) stores. The store closings were the result of the Company's decision, made during the fourth Fiscal 1995 quarter, to consolidate and close thirty-two (32) stores. At March 31, 1996, the Company operated 240 stores in eleven (11) states.

The Company's primary activity is the making of small, non-recourse loans secured by tangible personal property. The income earned on this activity is pawn service charge revenue. For the three month period ended March 31, 1996, pawn service charge revenue decreased 3.3% to \$16.8 million. The decrease was primarily due to same store loan balance declines of 12% largely offset by an increase of nine (9) percentage points in annualized yield earned on the loan balance to 212%. The yield improvement results primarily from management's actions to reduce the number of high-dollar, low-yielding loans. Of the 12% same store loan balance decrease, approximately 11% was due to a decrease in average loan amount and approximately 1% was due to a smaller number of loans in the portfolio.

For the six-month period, pawn service charge revenue increased 1.2% to \$36.1 million. The increase was primarily due to an increase in annualized yield earned on the loan balance from 201% to 209%. This was partially offset by average loan balance declines resulting primarily from a lower average loan amount.

For the three- and six-month periods, the pawn service charge revenue of twenty-one (21) stores that opened during the preceding twelve (12) months (\$0.5 million and \$1.4 million) was offset by the thirty-one (31) stores closed (\$1.1 million and \$2.0 million).

A secondary, but related, activity of the Company is the sale of forfeited collateral from its lending activity. The Company's goal is to sell forfeited collateral quickly at a reasonable margin. For the three- and six-month Fiscal 1996 Periods, sales increased 11% and 6% compared with the Fiscal 1995 Periods. This increase resulted primarily from same store sales increases of approximately 11% and 3%.

For the three- and six-months periods, sales of thirty-one (31) stores closed during the preceding twelve (12) months (\$2.2 million and \$4.3 million) was offset largely by twenty-one (21) stores opened (\$1.6 million and \$3.9 million).

For the Fiscal 1996 Periods, gross profits as a

percentage of sales decreased 2.7 and 3.5 percentage points, to 13.5% and 13.2%, from the Fiscal 1995 Periods. This decrease resulted largely from a decline in merchandise sales margins (6.4 and 8.3 percentage point decrease). This decrease was partially offset by the combined favorable effect of a significant reduction in inventory shrinkage when measured as a percentage of merchandise sales (reduced by 2.9 and 3.3 percentage points) and by the sale of jewelry as scrap (0.8 and 1.5 percentage points). The lower sales margins result primarily from management's strategy of pricing merchandise to sell and from the discounting of aged merchandise. Inventory shrink (e.g., theft, robbery, or broken merchandise) as a percentage of merchandise sales was approximately 2.5% in both of the Fiscal 1996 Periods compared to approximately 5.4% and 5.8% for the Fiscal 1995 Periods. The Company can neither predict the magnitude nor the direction of the effect of other factors that influence gross profit levels (e.g., sales mix shift, competitive pressure, consumer demand for previously owned merchandise, etc.).

Operating expenses as a percentage of total revenues decreased approximately 2.9 and 2.4 percentage points to 33.4% and 32.8% for the Fiscal 1996 Periods from 36.3% and 35.2% in the Fiscal 1995 Periods. Administrative expenses as a percentage of total revenues decreased to 6% in both the Fiscal 1996 Periods from 8% and 7% in the Fiscal 1995 Periods. Both store operating and administrative expenses have declined relative to total revenues as a result of the Company's program to reduce costs.

Depreciation and amortization expense increased in the Fiscal 1996 Periods primarily as a result of the higher level of depreciation on the twenty-one (21) newly established stores added since March 31, 1995. Interest expense (net) was down 31% and 14% in the Fiscal 1996 Periods over the prior year largely as a result of decreased borrowings under the Company's bank line of credit.

#### Liquidity and Capital Resources

Net cash provided by operating activities for the six-month Fiscal 1996 Period was \$16.4 million, an increase of \$14.0 million from the six-month Fiscal 1995 Period. Approximately one-half of this increase is due to lower service charge receivable and inventories resulting from management's actions to eliminate high-dollar, low-yielding loans, to improve lending practices and to price inventory to sell on a timely basis. The larger decrease in inventory for the six-month Fiscal 1996 Period occurred despite a higher amount of pawn loans forfeited and transferred to inventory. The balance of the increase is due to income tax refunds resulting from carry-back of the Company's Fiscal 1995 net operating loss.

For the six-month Fiscal 1996 Period, the Company invested approximately \$2.2 million in leasehold improvements and equipment for existing stores and four (4) newly established stores. The Company funded these expenditures from cash flow provided by operating activities and the seasonal reduction in its investment in pawn loans. The Company projects that it will open 10 to 15 new stores in fiscal 1996 (including four (4) that have already opened) and will relocate or remodel 5 to 10 of its existing stores. The Company anticipates that cash flow from operations and funds available under its existing bank line of credit should be adequate to fund these capital expenditures and seasonal pawn loan growth expected during its third and fourth fiscal quarters.

On August 3, 1995, the Company amended its November 29, 1994 revolving line of credit. Terms of the amended agreement require, among other things, that the Company meet certain financial covenants and give the bank group a first lien security interest in certain assets of the Company. Borrowings under the line bear interest at the bank's Eurodollar rate plus 1% to 2%. The amount which the Company can borrow is based on a percentage of its inventory levels and outstanding pawn loan balance, up to \$50 million. At March 31, 1996, the Company had \$21 million outstanding on



the credit facility and additional borrowing capacity of approximately \$14 million. The credit line matures January 31, 1997. The Company is working with its bank group to extend the maturity date on the credit facility to January 1998.

#### Seasonality

Historically, pawn service charge revenues are highest in the fourth fiscal quarter (July, August and September) due to higher loan demand during the summer months and merchandise sales are highest in the first fiscal quarter (October, November and December) due to the holiday season.

### PART II

#### Item 1. Legal Proceedings

On July 28, 1995, the Company terminated the Employment Agreement of Courtland L. Logue, Jr., the Company's former Chairman and Chief Executive Officer, and an owner of approximately 19% of the Company's outstanding voting securities (Class B Voting Common Stock). Since Mr. Logue's termination, the Company has had ongoing discussions with him concerning certain equipment leases between Mr. Logue and the Company, as well as the application of provisions to Mr. Logue's Employment Agreement and Stock Purchase Agreement with the Company. The Company believes these agreements require, among other things, a \$2.7 million payment by Mr. Logue to the Company. On March 8, 1996, the Company filed a lawsuit styled EZCORP, Inc. v. Courtland L. Logue, Jr. in the 201st District Court of Travis County, Texas in an effort to bring resolution to this dispute. Mr. Logue has filed counter-claims relating to the Employment Agreement and certain equipment leases and notes entered into between Mr. Logue and the Company.

#### Item 2. Changes in Securities

Not Applicable

#### Item 3. Defaults Upon Senior Securities

Not Applicable

#### Item 4. Submission of Matters to a Vote of Security Holders

On March 6, 1996, the majority shareholder of the Class B Voting Common Stock approved Ernst & Young LLP to serve as the Company's auditors for the ensuing year and elected the following persons as directors of the Company:

Sterling B. Brinkley	Dan N. Tonissen
Vincent A. Lambiase	Mark C. Pickup
J. Jefferson Dean	Richard D. Sage

The Company's Class B Voting Common Stock was the only class entitled to vote on these matters. The majority shareholder of the Company holds 4,051,434 shares of the 5,019,176 shares of outstanding Class B Voting Common Stock.

#### Item 5. Other Information

Not Applicable

#### Item 6. Exhibits and Reports on Form 8-K

- |     |   |   |
|-----|---|---|
| (a) | Exhibits  | Incorporated by   |
|     | Number  | Reference to  |
|     | Exhibit 11.1  | Statement Regarding Computation<br>of Per Share Earnings Filed herewith |
| (b) | Reports on Form 8-K   |   |
|     | The Company has not filed any reports on Form 8-K for the quarter ended March 31, 1996. |   |

#### Exhibit 11.1

Statement Regarding Computation of Per Share Earnings  
(Dollars and shares in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	1996	1995	1996	1995
	-----		-----	
	(Unaudited)		(Unaudited)	

Primary and fully diluted				
Weighted average number				
of common shares				
outstanding during				
the period	11,991	11,978	11,986	11,977
Net effect of dilutive				
stock options -				
based on the treasury				
stock method using				
overall market price	0	1	0	2
	-----	-----	-----	-----
Total shares	11,991	11,979	11,986	11,979
	=====	=====	=====	=====
Net income (loss)	\$ 218	\$ (19)	\$ 1,042	\$ 822
	=====	=====	=====	=====
Earnings (loss) per share <sup>a</sup>	\$ 0.02	\$(0.00)	\$ 0.09	\$ 0.07
	=====	=====	=====	=====

a Earnings per share calculations assume exercise of all outstanding stock options and warrants using the treasury stock method of calculation. The per share calculation excludes these common equivalent shares as their effect is anti-dilutive.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EZCORP, INC.  
(Registrant)

Date: May 14, 1996

By: /s/ DAN N. TONISSEN  
(Signature)

Dan N. Tonissen  
Senior Vice President and  
Chief Financial Officer