Event Type: Q4 2021 Earnings Call

Date: 2021-11-18

Company: **EZCORP, Inc.**

Ticker: EZPW

COMPANY PARTICIPANTS
- Jean Marie Young - Three Part Advisors, LLC, Managing Director
- Jason A. Kulas - EZCORP, Inc., Chief Executive Officer
- Timothy K. Jugmans - EZCORP, Inc., Chief Financial Officer

OTHER PARTICIPANTS
- Brian Nagel - Analyst
- Steve Emerson - Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good morning, ladies and gentlemen. Welcome to the EZCORP Fourth Quarter and Full-Year Fiscal 2021 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. As a reminder, this call may be recorded.

I'd now like to turn the conference over to Mr. Jean Marie Young, Investor Relations with Three Part Advisors. Please go ahead, Jean.

Jean Marie Young

Thank you, and good morning, everyone. During our prepared remarks, we'll be referring to slides which are available for viewing or download from our website at investors.ezcorp.com. Before we begin, I'd like to remind everyone that this conference call, as well as the presentation slides, contains certain forward-looking statements regarding the company's expected operating and financial performance for future periods. These statements are based on the company's current expectations. Actual results for future periods may differ materially from those expressed or implied by these forward-looking statements due to a number of risks and other factors that are discussed in our annual, quarterly and other reports filed with the SEC. And as noted in our presentation materials, and unless otherwise identified, results are presented on an adjusted basis to remove the effect of foreign currency fluctuations and other discrete items.

Now, I'd like to turn the call over to EZCORP's Chief Executive Officer, Jason Kulas. Jason?

Jason A. Kulas

Thanks, Jean, and good morning, everyone. I would first like to acknowledge everyone on our team for having exceeded expectations for our fiscal year 2021. Throughout the year, our key performance indicators have improved, and we are seeing continuous signs of recovery from the pandemic. We believe that the steps we have taken throughout the year to implement our strategic initiatives have us well-positioned to benefit as we return to a more normalized operating environment.

During the fourth quarter, we saw Pawn Loans Outstanding or PLO grow to $174 million, up 32% year-over-year to our highest level since the beginning of the pandemic. And for those of you who are new to our business, PLO is a leading indicator of the health of our core pawn business. Again, I credit our entire team in our stores and our corporate offices who has embraced our plan and has continued to execute, delivering strong results for our shareholders and our customers. As we begin to move through the presentation, I also want to acknowledge our investor relations team for helping us refresh and update the format of the materials.

Beginning on slide 3, we relentlessly strive for continuous improvement and focus on providing an industry leading experience for both our customers and team members, and this coupled with organic and inorganic growth, is how we build long-term shareholder value. During fiscal 2021, we completed the acquisition of 128 stores in Mexico, acquired 11 stores in the Houston area and opened 15 de novo stores in Latin America. We now own and operate 1,148 stores in five countries. We look forward to leveraging our strong balance sheet to look for more opportunities to continue to grow our store base and expand our footprint into new markets.

Moving on to the drivers on slide 4, People, Pawn, Passion is our overriding theme. Our strong balance sheet and liquidity are crucial to enable us to meet our customers' needs, and we're investing in our 6,500 team members aimed at retaining the best talent through enhancing training programs, consistently rewarding performance and continually improving corporate culture. The success we achieved in the fourth quarter and fiscal year 2021 is evidenced that our strategic initiatives rolled out at the end of fiscal 2020 are driving the business. Beyond our financial achievements, our role in the circular economy is core to who we are. Natural resources are saved when you buy a recycled item at a pawn shop instead of buying it new. We are committed to sustainability and providing a diverse and inclusive culture for all of our team members.

On slide 5, you can see that we achieved our strategic goals for 2021 with a focus on team members and a passion for serving customers. We focused on three core areas. The first was strengthening the core business down to the store level, executing on both the pawn and retail aspects of our business and becoming better managers of inventory. The second was achieving cost savings of $14 plus million and building a culture of cost consciousness, and the third was growth and innovation, which we achieved through store growth and additional digital offerings for our customers. As we look ahead in the fiscal 2022, we haven't changed our strategy, rather we will continue to execute on it, putting even more emphasis on developing our team members and serving our customers as we execute on our core business, look for incremental efficiencies and continue to grow and innovate, starting with the launch of our points based loyalty program in October.

Turning to our key financial themes for the fourth quarter of fiscal 2021; as I mentioned earlier, PLO the most significant driver for revenue and earnings is up 32% year-over-year, leading to a 30% increase in PSC. Net revenue was up 31% year-over-year and EBITDA was up 47%. Merchandise sales gross profit was up 38% year-over-year, driven by higher sales and a 41% sales gross profit margin. Our margins are the direct result of the ongoing effort to focus on effective inventory management. Aged GM inventory improved to less than 1% from 6%, and our strong liquidity position enables us to fund both PLO and inorganic growth going forward.

Slide 7 shows that on a normalized basis total expenses for fiscal year 2021 were down 7%. Store expenses were down 4% and G&A was down 21%. As we've mentioned previously, as transaction volume continues to grow, we would expect certain expenses to increase in fiscal 2022. Our efforts to strengthen the core, addressed on slide 8 are directly tied to our focus on people and systems. With a strong team and great systems, we can more effectively serve our customers, make good pawn decisions and manage inventory. We are excited to announce that we've named Blair Powell, President of Global Pawn, with responsibility for all pawn operations worldwide. This global alignment will enhance the in-store experience, optimize expenses and further drive profitability, while we continue to benefit from having a strong local presence in each of our markets.

Training, operational talent reviews and performance calibration sessions are in place to allow team members to understand their goals and measure achievements, inclusion initiatives and cultural transformation remain a focus for us as we ensure our team members are aligned with our guiding principles of leadership, customer service, accountability, respect, diversity and sustainability. We also updated our proprietary point of sale system to support our fully integrated EZ+ loyalty program. Process efficiency continues to improve with online initiatives, automatic ID scanning, enhanced telephony, modernizing store networks and deploying enhanced Wi-Fi. I see modernization will continue to enhance operations and productivity. We believe strongly that innovation is an essential driver for sustainable growth.

As you can see on slide 9, online extension payments grew to 11% in Q4 from 9% in Q3, and over 6,000 online layaway payments took place versus 5,000 in Q3. Our customers tell us that they appreciate having these convenient options for pawn and layaway servicing. We are also pleased to announce that our EZ+ loyalty program went live in US stores in October and launched in Latin America early this month. Early feedback is very positive. You will see more consistent use of the EZ+ branding going forward as we streamline the digital customer experience. After launching our inventory showcase test in May, we now have over 18,000 items listed online, with over 140 stores currently participating, which we believe is helping us capture new customers as the search for certain items becomes much more convenient.

Store growth is an important element of our strategy. We added 143 stores in fiscal 2021 and have continued our inorganic growth in October, investing $15 million in a company that owns more than 20 pawn stores, primarily in the Caribbean. The integration of our recent acquisitions in Mexico and the US is going well, and the acquisition pipeline remains robust. The very nature of our business, extending the useful life of and recycling millions of items contributes to the circular economy. According to the EPA, the US had 292.4 million tons of waste in 2018. That is nearly 5 pounds of waste per person. By purchasing items in a pawn shop instead of buying new, our customers are reducing that waste.

In addition to selling pre-owned items, there are many other aspects of our business that have a positive impact on the environment. Our stores are located in the communities we service, reducing customer travel and delivery. We do not have warehouses and distribution facilities, and our stores have a relatively small carbon footprint. Highlighting other ESG topics, we provide an essential, simple, regulated and transparent financial resource for those who are underserved by traditional sources. The way we do business is as important as the business we do. This is the theme of our Code of Conduct, and we maintain a strong compliance culture overseen by our board of directors.

Independent directors hold four of the six seats on our board, and we satisfy Nasdaq's recently enacted board diversity rules.

Beyond selling over 5 million pre-owned items, we retrofitted 65% of our US stores with energy efficient LED lighting, and recycled over 1.8 million pounds of paper in the US. We provided over 26,000 hours of quarantine pay for team members affected by COVID-19, and four hours of paid time-off to each team member to encourage vaccination. We also implemented a two-year diversity and inclusion plan. In the US, 65% of team members and 55% of managers identify as an underrepresented minority. Globally, 51% of team members and 42% of managers identify as female.

I will return at the end with some closing comments, but I would now like to turn the call over to Tim Jugmans, our Chief Financial Officer, to provide more details on our financial results. Tim?

Timothy K. Jugmans

Thanks, Jason. For the fourth quarter of fiscal 2021, we reported our diluted earnings per share of $0.03 on a GAAP basis compared to a loss of $0.42 the prior fiscal year fourth quarter. On an adjusted basis, we reported our diluted earnings per share of $0.11 for the quarter compared to $0.08 per share for the prior year quarter. For the full year, the GAAP diluted earnings per share was $0.15 compared to a loss of $1.24 in fiscal 2020. On an adjusted basis, diluted earnings per share for the year was $0.38 compared to $0.39 in fiscal 2020, which is significant considering the average PLO for fiscal 2021 was less than fiscal 2020, as the PLO has been in the process of recovering.

Starting with our Q4 consolidated financial results on slide 12, PLO ended the period at $174 million, up 32% on a year-over-year basis. We are now within 16% of FY 2019 same-store PLO compared to 22% last quarter. Following suit, PSC revenue was up 30% over last year, with growth driven by increased store count and high average PLO. Merchandise sales gross profit margin was 41% in the fourth quarter, up from 31%. For the full year, merchandise sales gross profit margin was 42% compared to 33% in fiscal 2020. These improvements reflect the commitment to improving the core business by driving down aged general merchandise, now, less than 1% of total general merchandise inventory compared to 6% at the prior year quarter. Our focus on selling inventory in the first 90 days has kept inventory turnover strong at 2.8 times.

Consolidated EBITDA was $18.1 million in the fourth quarter, up 47% compared to the prior year quarter, as a result of higher PSC revenues and increased merchandise sales gross profit, partially offset by increased expenses. For the year, EBITDA was $67.5 million, up $1.2 million. When taking into account the incentive compensation accrual reversal in fiscal 2020, EBITDA was up $22.1 million or 49%. Turning to our US pawn operations on slide 13. As government stimulus payments have eased through the year, we have seen segment PLO rise 28% and 16%, comparing Q4 to Q3. This is being driven by a focus on pawn operating model and serving our customers' needs. Importantly, US pawn PLO continues to trend closer to pre-COVID levels, and is now on a same store basis within 14% of FY 2019 as compared to 21% last quarter.

For the fourth quarter, PSC was up 22% year-over-year, driven by high average PLO. On the retail side of the business, merchandise sales was up 4% compared to the fourth quarter in 2020. More favorably, merchandise sales gross profit was up 22% year-over-year due to increase in sales and margins. Gross sales margin expanded 636 basis points to 43% versus the prior year quarter. Aged general merchandise inventory continues to decline and accounted for just 1% of total general merchandise inventory in the US at quarter-end versus 4% of the total a year ago, due to our continued focus on inventory management. Turning to the bottom line, US pawn EBITDA was up 76% compared to the prior year quarter, primarily due to higher PSC and increased merchandise sales gross profit offset by increased expenses. Store expenses were up 9% year-over-year, mostly related to an increase in incentive compensation driven by improvements in PLO and net revenue beyond our expectations.

Slide 14 focuses on our Latin American pawn operations. Segment PLO grew 51% compared to the year-ago level or 29% on a same store basis. As a result, PSC was up 55% driven by an increase in store count and high average PLO for the quarter. Merchandise sales was up 5% versus the prior year quarter or down 13% on a same store basis, primarily due to lower customer traffic as a result of the effects of the Delta variant. Merchandise sales gross profit was up 177% reflecting increased store count and related margins, increasing to 34% from 13% driven by effective inventory management. EBITDA improved $7.2 million on higher PSC and merchandise sales gross profit, partially offset by increased expenses. Store expenses were up 34% year-over-year with 132 additional stores and incentive compensation increases driven by PLO and net revenue improvements. Same store expenses were up 11% year-over-year.

In conclusion, on a consolidated basis, PLO levels have continued to increase since mid-April, reflecting more favorable pawn demand trends and accelerated transaction volumes and a focused team. As we look forward to fiscal 2022, PCS continues to play catch up as PLO increases. Latin America continues to grow at a slower pace than US due to the effects of the Delta variant. Retail inventories continue to normalize, and we enter the holiday season with inventory that is not impacted by supply chain disruptions. As we have previously said, we expect to see some sales margin contraction as inventory levels increase and with the resumption of standard sales discounting practices. Also with transaction volume increasing and increasing inflationary pressures, we will see expenses rise. We perform through a difficult economic cycle for the industry, and we'll continue to execute our strategic initiatives into fiscal 2022.

I'll now turn it back over to Jason for a few closing comments.

Jason A. Kulas

Thank you, Tim. Our strategic initiatives introduced at the end of fiscal 2020 remain the same. PLO drives revenue from pawn service charges, and efficient retail management drive sales gross profit. So we are well positioned going into fiscal 2022. We achieved our targeted cost savings of over $14 million in fiscal 2021, and will continue to optimize operating cost ratios over time as transaction volume accelerates. Our differentiated platform, proprietary point of sale system and commitment to enhancing digital capabilities will continue to differentiate EZCORP. We remain focused on meeting our customers' needs for cash and affordable, pre-owned and recycled merchandise across the US and Latin America, and we will continue to execute on our initiatives to further strengthen our core pawn business in fiscal 2022 and drive shareholder returns. I want to say again that we're thankful for our team members who drove results for fiscal 2021 that surpassed our expectations, and we are enthusiastic about our prospects for continuing the momentum into 2022 with a business that continues to be unique and essential for our customers.

And with that we'll open the call for questions. Operator?

QUESTION AND ANSWER SECTION

Operator

Thank you, sir. We have our first question from the line of Brian Nagel with Oppenheimer. Please go ahead.

Analyst: Brian Nagel

Question – Brian Nagel: Hey, guys, good morning.

Answer – Jason A. Kulas: Good morning.

Question – Brian Nagel: Nice quarter. Congratulations.

Answer – Jason A. Kulas: Thank you, Brian.

Question – Brian Nagel: So I guess a few questions to kind of go through, I mean, first (20:25) I guess bigger picture perspective, we talked a lot about just to the extent to which the COVID crisis has impacted your business. You mentioned today that I think you're starting to see broadly speaking some relief from those headwinds. So the question I have is, if you look at the backdrop for the business right now, how much – I mean, to what extent is that the pandemic or the remnants of the pandemic in the United States still a headwind for your business? And how do you see that dynamic unfolding over the next say couple of quarters or so?

Answer – Jason A. Kulas: Sure. So it's interesting. We aren't yet back to the levels where we were on PLO in 2019. But as we've talked about on this call, we're getting close. And 2022 is the year we get there and beyond, and we're excited about that. What I would say is, as we've said in previous quarters, the impact of the COVID crisis is less in the US than it is in some of our Latin American countries. That's primarily driven by the vaccination rates, which are catching up in some of the other countries, and that's helping the business a lot. One of the things we saw is, in the US, with each incremental stimulus action, because not just the impact of the pandemic, it's also the impact of the reactions to it, with each incremental stimulus action, we saw the recovery come a lot quicker, we need successive one.

And in the US, that's directly related to the fact that people are more active and they're out doing things. And when they're active, that generates needs for cash. And so the demand comes back fairly quickly. We've seen that in other countries, as we make our way through Latin America and Central America, there's been a little bit more of a lasting impact. We've seen a great recovery there, as well. But it's been a little bit more muted because of the ongoing impacts of the Delta variant. In Mexico, we saw that we didn't have a big back-to-school season, so those kinds of things are still there. As we look into 2022, our expectation is that we'll continue to be able to report on progress, again, versus where we were in 2019, and then also moving past that. But it's a little bit different story depending on the country you're talking about.

Question – Brian Nagel: Got it. That's very helpful. And then, Jason, also, I guess also from a bigger picture perspective, you spent a lot of time on the call today, (23:03) nice job just laying out the sustainability aspects of your business. The question I have is, it makes sense from us as investors' standpoint to really understand and respect that aspect of EZCORP. Is this something you could also – I mean, are you also or will you also advertise more aggressively to customers that this is a way to shop more sustainably?

Answer – Jason A. Kulas: Absolutely. I'm glad you brought that up. One of the things, if you follow us on social media, that you're starting to see more from us is exactly that, reminding consumers that we are a great source if they're concerned about their carbon footprint. And even if they can afford to buy new, but they want to choose to buy used, we're a place where they can do that. And you'll see it's advertised for example the chemicals and the water required to make certain items, whether it's a laptop or a bicycle or whatever it may be, there's no packaging on our goods. So yes, that's a message that we're getting more active about with our core customers, and then also with customers who maybe aren't historically our core customers, who would be attracted to the idea that we're recycling goods.

Question – Brian Nagel: Got it. It's very helpful. Thanks a lot. I appreciate it.

Answer – Jason A. Kulas: Thank you, Brian.

Operator

Thank you. Our next question comes from the line of Steve Emerson with Emerson Investment Group. Your line is now open.

Analyst: Steve Emerson

Question – Steve Emerson: Congratulations on a great quarter, and looks like a good sustainable trend. Building on the last answer on sustainability, are you going to start buying goods without pawn based on your extensive data capabilities and price check availabilities? And are you thinking of making used goods a major focus?

Answer – Jason A. Kulas: Thank you, Steve. So the answer to that is yes, and there's an element of our business that has always been a buy/sell business. What we want to do is exactly what the customer wants, and sometimes the customer wants to do a pawn transaction and we're happy to do that.

Sometimes they just want to sell the item. And we want to continue to make sure our customers know that we're agnostic to the outcome. We just want to do the transaction that they want to do. In our expectation, though, is over time, that more people will look to a pawn shop for those kinds of buy/sell transactions than they may have done in the past with no intention of actually doing a pawn transaction, but really more intent on walking into the store and just selling us an item. And we're happy to do that. One of the things that we really focused on over the last year is our ability to manage inventory, to turn it in what we call velocity internally, turning items in those first 90 days, not having aged inventory buildup in those kinds of things. And as we manage that effectively, we want to do it with as much inventory as possible, and make sure that our throughput is as high as it can be. And I think the buy/sell approach is critical to continuing to drive that.

Question – Steve Emerson: Excellent. And it can change your image or the image of the pawn industry tremendously to facilitate purchases. Are you ready to start rent to own or other financing plans for your used goods?

Answer – Jason A. Kulas: We have spent a lot of time and are continuing to spend a lot of time looking at this idea of financing at the terminal, whether it be lease to own or buy now pay later, it comes in many different forms. We continue to do that. But they aren't ready at this point to make any announcement in that regard.

Question – Steve Emerson: Okay. And obviously, EZPAWN could become EZ-owned (27:37) as a new branding. Pawn could be considered a poor image or tougher image to overcome. So just a thought.

Answer – Jason A. Kulas: Yeah. Thank you for this comment, Steve. When you spend time in our stores with our team members, watching them serve our customers, there's nothing better in this business to do than that, than just to see this process, whether it's a buy/sell or it's a pawn, for our customers coming in and valuing the service that we provide, our team members being so engaged and enthusiastic and passionate about doing that, it's been probably one of the best parts of my journey from the board into the executive team, is getting closer to all of that and seeing it firsthand. So we'll be focused on both aspects of the business going forward, just like we always have been. What we do is so unique and essential, and our customers tell us that every day. So we're proud to do it, and we want to continue doing it exactly how we have been.

Question – Steve Emerson: And what's your current breakdown of EBITDA from pawn loans versus used goods? I don't know if it's possible to unscramble the eggs. And what ratio would you like to see in the future?

Answer – Timothy K. Jugmans: So the best way to have a look at that is to look at the P&L on a – look at the PSC revenue and then look at the merchandise gross profit. And then for the quarter, you'll see that the net revenue was $117 million. That was made up of about $72 million of PSC and then $45 million of merchandise sales gross profit.

Question – Steve Emerson: Okay. Where would you like to see that?

Answer – Jason A. Kulas: We'd like to see both numbers continue to go up, and that's exactly what we'll execute on in the coming years.

Question – Steve Emerson: Okay. But to be considered by Wall Street as more of a retail center you possibly would need your – used merchandise gross profits to be bigger than your PSC than your loans profits.

Answer – Jason A. Kulas: Yeah. Steve, for us, it's really about providing that choice to the customer. So while we want to continue to grow both – if our customers demanded one for a period of time over the other, and one had more growth than the other, like I said before, I think we'll be in a position where we're sort of agnostic to that. We want to continue to drive both, and we think actually the retail side of the business will drive some incremental customers into our stores. But at the end of the day, we want to do the transaction the customer understanding in front of us wants to do, and we want to give them the choice to deal with us in whatever manner they want.

Operator

Thank you. We have our next question from the line of David Gamin with Gamin Wealth Management (31:34). Your line is open.

Unidentified speaker

Question – Unidentified speaker: Good morning. Congratulations. Nice quarter. So my first question is, you're making a deliberate effort to tap the opportunity for consumers whereby sustainability and owning something pre-owned is a priority. That being said, that customer tends to be more tech savvy, and rather than go into stores, treasure hunting, so to speak, looking for the items that they desire. It would be advantageous and I think helpful to them if there was a digitization or many of those items that they're seeking could be looked up, on their phone or their laptop. Could you speak to that effort on your side what you're doing to digitize? Have we done it to what extent and then what the results are thereof? Thanks.

Answer – Jason A. Kulas: Yes. David (32:41). We agree with you. The future of this business will involve giving that customer the option to sort of look at what's available before they buy and to be able to go directly to the store that has exactly what they need, or even at some point to be able to do all of it online. So it's important that we continue to explore that and we are. So we've been working hard this year on what we're calling our inventory showcase. We've got that now rolled out in a lot of test stores. And what we're seeing is that – and obviously the data will continue to come through that proves this point out. What our customers are telling us is that exactly what you said. They really love the idea that they don't have to go on the treasure hunt to visit several stores to find what they need, that they can go online in advance, find it and then go directly to the store that has what they want.

So we've got some really positive feedback on that. I think for our business there are always going to be people who do want to do the treasure hunt, who want to go to several stores and just see what they can find. And that's one of the things that's really unique about the pawn business is that every store, every day has something different in it, and people like to go and explore that. But for those who don't and who want the choice of that process being much more convenient, we're going to continue to focus on providing that. So we're excited about what we're seeing in these early days. We've got a lot more to do to roll it out to more stores, but the tests so far have been going very well.

Unidentified speaker

Question – Unidentified speaker: Okay. That's helpful. And then, can you speak to the last transaction that you did in the Caribbean? What percent ownership do you have and more importantly give me an idea of what multiple we paid of EBITDA?

Answer – Jason A. Kulas: So we're not in a control position in that transaction, so we own less than half of the business. What we're excited about is it gives us exposure to some new geographies in the Caribbean, some countries where we don't currently have stores. And this idea of geographic diversification is something we want to continue to pursue. So from that perspective, we're very excited about it. And Tim, do you want – we haven't disclosed the multiple, but what I would say, and correct me on this, but what I would say is, it's not outside what we've seen in other transactions.

Answer – Timothy K. Jugmans: That's correct.

Unidentified speaker

Question – Unidentified speaker: Okay. And then, is M&A happening, in a, let's call it, a high double-digit EBITDA area, like 6, 7, 8, 9 times, is that safe to say?

Answer – Timothy K. Jugmans: So generally, we talked about multiples of 4 to 8 times, and it's heavily dependent on the number of stores, geographies and the growth rates of the companies. And so that's generally where they've been. So that's what we look at.

Unidentified speaker

Question – Unidentified speaker: Okay. 4 to 8 times. So that being said, when we look at your stock, the recovery in the business, and where we are now in the EBITDA, it seems like your stock is a multiple of 5 to 6 times. However, if we do nothing, there's going to be dilution inevitably from the convert that matures in the shorter term, while, I believe it's the 2.875% of 24. It seems like it would be a great use of capital and a balance to use to retire some shares to offset that dilution, assuming it seems like we're on a trajectory to get well above $10 a share, where those bonds will convert. What's your sense on that? And what's your view on it? I mean, it seems to me if I do the math and pull out my calculator, it would be great usage of capital and very competitive in terms of – versus M&A in terms of accretion. So could you comment on that, please?

Answer – Jason A. Kulas: Absolutely, yes. So if you look at, we know that the best way to drive long-term growth in the company is to operate stores well and then to have more stores. When we're convinced that we're operating at a high level on both the pawn side and the retail side, we want to do that over as many stores as possible. On the multiples, one thing that's a little misleading on that is when we say 4 to 8 times, we're talking about trailing EBITDA, not what we can do with it once we have it.

So what we end up seeing is an actual multiple over time that ends up being much less because we can make some improvements with the way we have our processes in place just versus a smaller company, maybe a mom-and-pop operation that doesn't have the same sophistication on the way that they value items, put pawn transactions in place, operate their – manage their inventory, those kinds of things. So we end up seeing that the actual multiple ends up being much lower. But at the end of the day, and you're right, we want to be good managers of capital. We want to first and foremost, make sure that we always have enough capital to fund these pawn transactions for our customers, and also to grow and do that over more stores. But as we over time look at our excess capital, we'll continue to evaluate different ways to put it to work, to make sure it's optimized.

Unidentified speaker

Question – Unidentified speaker: Okay. I mean another option, and I'm not your investment banker here, but perhaps even tendering for the bonds, again, the 2024 bond convertible bonds seem like to have a very high likelihood of striking and therefore diluting the equity. But another way to skin the cat would be tendering for the bonds and then to replace that capital, for example, with a preferred stock offering. I see almost every week from investment bankers, I'm getting term sheets on preferred stocks. People are yield hungry, and technically on the balance sheet it's not debt. Is that something that you'd look at? I don't remember the principal amount, maybe, let's say it was $100 million on that bond. You tender at a premium and then replace that cash with preferred. Is that something you've looked at or would consider?

Answer – Jason A. Kulas: We pretty constantly look at what's available in the capital markets to make sure we're focused on optimizing that capital structure. In terms of use of capital, so on the subject of whether or not you just buy back bonds versus do something else with the capital, and I think you were talking about both either just buying them back or buying it back and replacing that instrument with something else. What I would say is, those kinds of things as a use of capital stand behind, making sure that – as I mentioned before, we're in a good position to fund and we're in a good position to continue to grow, as we see opportunities in the market, and we do, the pipeline is still very strong. But clearly, we spent time looking at those things and we'll continue to do it.

Unidentified speaker

Question – Unidentified speaker: Okay. Thanks, guys. Good luck. Have a nice holiday coming up.

Answer – Jason A. Kulas: Thank you. I appreciate it.

Operator

Thank you. There are no further questions at this time. Mr. Jason Kulas, please continue.

Great. Thank you. And thanks to everyone for joining us this morning. We look forward to continue to report on our progress, and we hope everyone has a great Thanksgiving holiday.

Operator

Thank you. This concludes today's conference call. Thank you for participating. You may now disconnect.