FIRSTCASH, INC
Form 10-K
February 20, 2018
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017

OR

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

For the transition period from __________ to ___________

Commission file number 001-10960
FIRSTCASH, INC.
(Exact name of registrant as specified in its charter)

Delaware	75-2237318
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1600 West 7th Street, Fort Worth, Texas	76102
(Address of principal executive offices)	(Zip Code)

(817) 335-1100
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $.01 per share	NYSE

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
xYes o No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
oYes x No

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. xYes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).   xYes   o No

Table of Contents

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

x Large accelerated filer	o Accelerated filer
o Non-accelerated filer (Do not check if a smaller reporting company)	o Smaller reporting company
	o Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). oYes x No

As of June 30, 2017, the aggregate market value of the registrant’s common stock held by non-affiliates of the registrant was approximately $2,406,000,000 based on the closing price as reported on the New York Stock Exchange.

As of February 12, 2018, there were 46,554,838 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive Proxy Statement relating to its 2018 Annual Meeting of Stockholders to be held on or about May 29, 2018, is incorporated by reference in Part III, Items 10, 11, 12, 13 and 14 of this Annual Report on Form 10-K.

Table of Contents

FIRSTCASH, INC.
FORM 10-K
For the Year Ended December 31, 2017

TABLE OF CONTENTS

Table of Contents

FORWARD-LOOKING INFORMATION

This annual report contains forward-looking statements about the business, financial condition and prospects of FirstCash, Inc. and its wholly owned subsidiaries (together, the “Company”). Forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, can be identified by the use of forward-looking terminology such as “believes,” “projects,” “expects,” “may,” “estimates,” “should,” “plans,” “targets,” “intends,” “could,” “w “anticipates,” “potential,” “confident,” “optimistic” or the negative thereof, or other variations thereon, or comparable terminology, or by discussions of strategy, objectives, estimates, guidance, expectations and future plans. Forward-looking statements can also be identified by the fact these statements do not relate strictly to historical or current matters. Rather, forward-looking statements relate to anticipated or expected events, activities, trends or results. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties.

These forward-looking statements are made to provide the public with management’s current assessment of the Company’s business. Although the Company believes the expectations reflected in forward-looking statements are reasonable, there can be no assurances such expectations will prove to be accurate. Security holders are cautioned such forward-looking statements involve risks and uncertainties. Certain factors may cause results to differ materially from those anticipated by the forward-looking statements made in this annual report. Such factors may include, without limitation, the risks, uncertainties and regulatory developments discussed and described in (i) this annual report, including the risks described in Part I, Item IA, “Risk Factors” hereof, and (ii) the other reports filed with the SEC. Many of these risks and uncertainties are beyond the ability of the Company to control, nor can the Company predict, in many cases, all of the risks and uncertainties that could cause its actual results to differ materially from those indicated by the forward-looking statements. The forward-looking statements contained in this annual report speak only as of the date of this annual report, and the Company expressly disclaims any obligation or undertaking to report any updates or revisions to any such statement to reflect any change in the Company’s expectations or any change in events, conditions or circumstances on which any such statement is based, except as required by law.

Table of Contents

PART I

Item 1. Business

General

The Company is a leading operator of retail-based pawn stores in the U.S. and Latin America. As of December 31, 2017, the Company had 2,111 locations, consisting of 1,112 stores in 26 U.S. states (including the District of Columbia), 953 stores in all 32 states in Mexico, 33 stores in Guatemala and 13 stores in El Salvador.

On September 1, 2016, the Company completed its merger with Cash America International, Inc. ("Cash America"), whereby Cash America merged with and into a wholly owned subsidiary of the Company (the "Merger"). The accompanying audited consolidated results of operations for the year ended December 31, 2017 includes the results of operations for Cash America, while the comparable prior-year period includes the results of operations for Cash America for the period September 2, 2016 to December 31, 2016, affecting comparability of fiscal 2017 and 2016 amounts. See Note 3 of Notes to Consolidated Financial Statements for additional information about the Merger.

The Company's primary business is the operation of large format, full-service pawn stores which make small pawn loans secured by personal property such as consumer electronics, jewelry, power tools, household appliances, sporting goods and musical instruments. These pawn stores generate significant retail sales from the merchandise acquired through collateral forfeitures and over-the-counter purchases from customers. In addition, some of the Company's pawn stores offer small unsecured consumer loans or credit services products. The Company's strategy is to focus on growing its large format, full-service pawn operations in the U.S. and Latin America through new store openings and strategic acquisition opportunities as they arise.

In addition to its pawn stores, the Company operates a small number of stand-alone consumer finance stores in the U.S. and Mexico. These stores provide consumer financial services products including credit services, consumer loans and check cashing. The Company also offers check cashing services through franchised check cashing centers, for which the Company receives franchise fees. Beginning in fiscal 2018, the Company no longer offers fee-based check cashing services in its non-franchise stores. The Company considers the credit services and consumer loan products to be non-core, non-growth revenue streams, which the Company has deemphasized in recent years and represented approximately 4% of the Company's total revenues for both of the years ended December 31, 2017 and 2016.

Revenue for the year ended December 31, 2017 was primarily generated from the Company's pawn operations with 27% of total revenues derived from Latin America and 73% from the U.S. For additional historical information on the composition of revenues from the U.S. and Latin America, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations."

The Company organizes its operations into two reportable segments: the U.S. operations segment and the Latin America operations segment. The U.S. operations segment consists of all pawn and consumer loan operations in the U.S. and the Latin America operations segment consists of all pawn and consumer loan operations in Latin America, which currently includes operations in Mexico, Guatemala and El Salvador. The Company intends to open its first stores in Colombia in 2018, which will be included in the Latin America operations segment.

The Company was formed as a Texas corporation in July 1988. In April 1991, the Company reincorporated as a Delaware corporation. The Company's principal executive offices are located at 1600 West 7th Street, Fort Worth, Texas 76102, and its telephone number is (817) 335-1100.

Pawn Industry

Pawn stores are neighborhood-based retail stores that buy and sell consumer items such as consumer electronics, jewelry, power tools, appliances, sporting goods and musical instruments. Pawn stores also provide a quick and convenient source of small consumer loans to unbanked, under-banked and credit-challenged customers. These consumers are typically not effectively or efficiently served by traditional lenders such as banks, credit unions, credit card providers or other small loan providers. The Company's pawn stores directly compete in both the specialty retail and consumer finance industries.

Table of Contents

United States

The pawn industry in the U.S. is well established, with the highest concentration of pawn stores located in the Southeast, Midwest and Southwest regions of the country. The operation of pawn stores is governed primarily by state laws and accordingly, states that maintain regulations most conducive to profitable pawn operations have historically seen the greatest concentration of pawn stores. Management believes the U.S. pawn industry, although mature, remains highly fragmented. The two major publicly traded companies in the pawn industry, which includes the Company, currently operate approximately 1,600 of the estimated 12,000 to 14,000 pawn stores in the U.S. The Company believes the majority of pawnshops in the U.S. are owned by individuals operating five or fewer locations.

Mexico and Other Latin American Markets

Most of the Company's pawn stores in Latin America are larger format, full-service stores, similar to the U.S. stores, which lend on a wide array of collateral and have a retail sales floor. The majority of pawn stores in Latin America are much smaller than a typical U.S. pawn store, have limited retail space and often offer only pawn loans collateralized by gold jewelry or small consumer electronics. Accordingly, competition in Latin America for the Company's large format, full-service pawn stores is limited. A large percentage of the population in Mexico and other countries in Latin America are unbanked or under-banked and have limited access to consumer credit. The Company believes that there is significant opportunity for future expansion in Mexico and other Latin American countries due to the large potential consumer base and limited competition from other large format, full-service pawn store operators.

Business Strategy

The Company's business plan is to expand its operations by opening new ("de novo") retail pawn locations, by acquiring existing pawnshops in strategic markets and attempting to increase revenue and operating profits in its existing stores. In pursuing its business strategy, the Company seeks to establish clusters of several stores in specific geographic areas in order to achieve certain economies of scale relative to management and supervision, pricing and purchasing, information and accounting systems and marketing.

The Company has opened or acquired over 1,400 pawn stores in the last five fiscal years, including 815 stores as a result of the Merger. Net store additions have grown at a compound annual store growth rate of 21% over this period. The Company intends to open additional stores in locations where management believes appropriate demand and other favorable conditions exist. The following table details stores opened and acquired over the five year period ended December 31, 2017:

	Year Ended December 31,				
	2017	2016	2015	2014	2013
U.S. stores:					
Merged Cash America locations	—	815	—	—	—
New locations opened	2	—	—	8	9
Locations acquired	1	3	33	25	34
Total additions	3	818	33	33	43
Latin America stores:					
New locations opened	45	41	38	31	60
Locations acquired	5	179	32	47	8
Total additions	50	220	70	78	68
Total:					
Merged Cash America locations	—	815	—	—	—

New locations opened	47	41	38	39	69
Locations acquired	6	182	65	72	42
Total additions	53	1,038	103	111	111

For additional information on store count activity, see “—Locations and Operations” below.

Table of Contents

New Store Openings

The Company plans to continue opening new pawn stores, primarily in Latin America, and to a much lesser extent in the U.S. The Company typically opens new stores in under-developed markets, especially where customer demographics are favorable and competition is limited or restricted. After a suitable location has been identified and a lease and the appropriate licenses are obtained, a new store can typically be open for business within six to twelve weeks. The investment required to open a new location includes store operating cash, inventory, funds for pawn and consumer loans, leasehold improvements, store fixtures, security systems, computer equipment and other start-up costs.

Acquisitions

Because of the fragmented nature of the pawn industry, the Company believes attractive acquisition opportunities will continue to arise from time to time in both Latin America and the U.S. Before making an acquisition, management assesses the demographic characteristics of the surrounding area, considers the number, proximity and size of competing stores, and researches state and local regulatory standards. Specific pawn store acquisition criteria include an evaluation of the volume of merchandise sales and pawn transactions, outstanding customer pawn loan balances, historical pawn yields, retail margins and redemption rates, the condition and quantity of inventory on hand, and location, condition and lease terms of the facility.

Enhance Productivity of Existing and Newly Opened Stores

The primary factors affecting the profitability of the Company’s existing store base are the volume and gross profit of merchandise sales, the volume of and yield on customer loans and store expenses. To encourage customer traffic, which management believes is a key determinant of a store’s success, the Company has taken several steps to distinguish its stores and to make customers feel more comfortable. In addition to a clean and secure physical store facility, the stores’ exteriors typically display attractive and distinctive signage similar to those used by contemporary specialty retailers.

The Company has employee-training programs that promote customer service, productivity and professionalism. The Company utilizes a proprietary computer information system that provides fully-integrated functionality to support point-of-sale retail operations, real-time merchandise valuations, loan-to-value calculations, inventory management, customer recordkeeping, loan management, compliance and control systems and employee compensation. Each store is connected on a real-time basis to a secure data center that houses the centralized databases and operating systems. The information systems provide management with the ability to continuously monitor store transactions and operating results. The Company completed the process of converting all Cash America stores to the Company’s proprietary computer information system during 2017.

The Company maintains a well-trained internal audit staff that conducts regular store visits to test compliance of financial and operational controls. Management believes the current operating and financial controls and systems are adequate for the Company’s existing store base and can accommodate reasonably foreseeable growth in the near term.

Services Offered by the Company

Pawn Merchandise Sales

The Company’s pawn merchandise sales are primarily retail sales to the general public from its pawn stores. The items the Company sells generally consist of pre-owned consumer electronics, jewelry, power tools, household appliances, sporting goods and musical instruments. The Company also melts certain quantities of scrap jewelry and sells the gold, silver and diamonds in commodity markets. Total merchandise sales accounted for approximately 67% of the Company's revenue during fiscal 2017.

The Company acquires pawn merchandise inventory primarily through forfeited pawn collateral and, to a lesser extent, through purchases of used goods directly from the general public. Merchandise acquired by the Company through forfeited pawn collateral is carried in inventory at the amount of the related pawn loan, exclusive of any accrued service fees. The Company also acquires limited quantities of new or refurbished general merchandise inventories directly from wholesalers and manufacturers.

The Company does not provide direct financing to customers for the purchase of its merchandise, but does permit its customers to purchase merchandise on an interest-free "layaway" plan. Should the customer fail to make a required payment pursuant to a layaway plan, the item is returned to inventory and previous payments are typically forfeited to the Company. Interim payments from customers on layaway sales are recorded as deferred revenue and subsequently recorded as retail merchandise sales revenue when the final payment is received or when previous payments are forfeited to the Company.

Table of Contents

Retail sales are seasonally highest in the fourth quarter associated with holiday shopping and, to a lesser extent, in the first quarter associated with tax refunds in the U.S.

Pawn Lending Activities

The Company's pawn stores make small, short-term, secured loans to its customers in order to help them meet short-term cash needs. All pawn loans are collateralized by personal property such as consumer electronics, jewelry, power tools, household appliances, sporting goods and musical instruments. Pawn loans are non-recourse loans and the pledged goods provide the only security to the Company for the repayment of the loan. The Company does not investigate the creditworthiness of the borrower, primarily relying instead on the marketability and sales value of pledged goods as a basis for its credit decision. Pawn loans are non-recourse loans and a customer does not have a legal obligation to repay a pawn loan. There is no collections process and the decision to not repay the loan will not affect the customer's credit score.

At the time a pawn loan transaction is entered into, an agreement or contract, commonly referred to as a "pawn ticket," is delivered to the borrower for signature that sets forth, among other items, the name and address of the pawnshop, the borrower's name, the borrower's identification number from his/her driver's license or other government issued identification, date, identification and description of the pledged goods, including applicable serial numbers, amount financed, pawn service fee, maturity date, total amount that must be paid to redeem the pledged goods on the maturity date and the annual percentage rate.

Pledged property is held through the term of the loan, unless the loan is paid earlier or renewed. The typical pawn loan term is generally 30 days plus an additional grace period of 14 to 90 days depending on geographical markets and local regulations. Pawn loans may be either paid in full with accrued pawn loan fees and service charges or, where permitted by law, may be renewed or extended by the customer's payment of accrued pawn loan fees and service charges. If a pawn loan is not repaid prior to the expiration of the grace period, the pawn collateral is forfeited to the Company and transferred to inventory at a value equal to the principal amount of the loan, exclusive of accrued service fees. The Company does not record pawn loan losses or charge-offs because the amount advanced becomes the carrying cost of the forfeited collateral that is to be recovered through the merchandise sales function described above.

The pawn loan fees are typically calculated as a percentage of the pawn loan amount based on the size and duration of the transaction and generally range from 4% to 25% per month, as permitted by applicable law. As required by applicable law, the amounts of these charges are disclosed to the customer on the pawn ticket. Pawn loan fees accounted for approximately 29% of the Company's revenue during fiscal 2017.

The amount the Company is willing to finance for a pawn loan is primarily based on a percentage of the estimated retail value of the collateral. There are no minimum or maximum pawn to fair market value restrictions in connection with the Company's lending activities. In order to estimate the value of the collateral, the Company utilizes its integrated proprietary computer information system to recall recent selling prices of similar merchandise in its own stores. The basis for the Company's determination of the retail value also includes such sources as precious metals spot markets, catalogs, blue books, online auction sites and retailer advertisements. These sources, together with the employees' experience in selling similar items of merchandise in particular stores, influence the determination of the estimated retail value of such items. The Company does not utilize a standard or mandated percentage of estimated retail value in determining the amount to be financed. Rather, the employee has the authority to set the percentage for a particular item and to determine the ratio of pawn amount to estimated sale value with the expectation that, if the item is forfeited to the pawnshop, its subsequent sale should yield a gross profit margin consistent with the Company's historical experience. The recovery of the principal and realization of gross profit on sales of inventory is dependent on the Company's initial assessment of the property's estimated retail value. Improper assessment of the retail value of the collateral in the lending function can result in reduced marketability of the property resulting in a reduced gross profit margin.

The Company typically experiences seasonal growth in its pawn loan balances in the third and fourth quarters of the year following lower balances in the first two quarters of the year due to the heavy repayment of pawn loans associated with statutory bonuses received by customers in the fourth quarter in Mexico and with tax refund proceeds typically received by customers in the first quarter in the U.S.

Table of Contents

Credit Services and Consumer Loan Activities

As of December 31, 2017, the Company operated 44 stand-alone consumer loan locations in the U.S. and 28 stand-alone consumer loan locations in Mexico. In addition, 313 pawn locations in the U.S. and 49 pawn locations in Mexico also offer consumer loan products. Total revenues from consumer loan and credit services operations accounted for approximately 4% of total revenues in 2017.

The Company offers fee-based credit services organization programs (“CSO Programs”) to assist consumers in obtaining extensions of credit. The Company’s stand-alone consumer loan stores and select pawn stores in the states of Texas and Ohio offer the CSO Programs. The Company’s CSO Programs comply with the respective jurisdiction’s credit services organization act, credit access business law or a similar statute. Under the CSO Programs, the Company assists customers in applying for a short-term extension of credit from independent, non-bank, consumer lending companies (the “Independent Lenders”) and issues the Independent Lenders a guarantee for the repayment of the extension of credit. The Company also offers an automobile title lending product under the CSO Programs. Total credit services fees accounted for 2% of the Company’s revenue during fiscal 2017.

The Company also offers small, unsecured consumer loans to customers in various states within the U.S. and in Mexico. To qualify for a consumer loan, a customer generally must have proof of steady income, residence and valid identification. At maturity, the customer typically returns to the store to pay off the loan and related fee with cash. If the customer fails to repay the loan, the Company initiates collection procedures. These consumer loan fees accounted for 2% of the Company’s revenue during fiscal 2017.

The Company operates a stand-alone franchised based, check cashing business, operating under the “Mr. Payroll” brand. The Company receives franchise fees from each franchisee based on the gross revenue of check cashing services provided within the franchisee’s facility. Total revenue from franchise fees accounted for less than 1% of consolidated total revenue during fiscal 2017.

See additional discussion of the credit loss provision and related allowances/accruals in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies.”

Financial Information about Geographic Areas

Financial information regarding the Company’s revenue and long-lived assets by geographic areas is provided in Note 16 of Notes to Consolidated Financial Statements contained herein.

Table of Contents

Locations and Operations

As of December 31, 2017, the Company had 2,111 store locations in 26 U.S. states (including the District of Columbia), 32 states in Mexico, Guatemala and El Salvador, which represents a net store-count increase of 1% over the number of stores at December 31, 2016. The Company also intends to open its first stores in Colombia in 2018.

The following table details store count activity for the twelve months ended December 31, 2017:

	Pawn Locations (1)	Consumer Loan Locations (2)	Total Locations
U.S.:			
Total locations, beginning of period	1,085	45	1,130
New locations opened	2	—	2
Locations acquired	1	—	1
Locations closed or consolidated	(20)	(1)	(21)
Total locations, end of period	1,068	44	1,112
Latin America:			
Total locations, beginning of period	927	28	955
New locations opened	45	—	45
Locations acquired	5	—	5
Locations closed or consolidated	(6)	—	(6)
Total locations, end of period	971	28	999
Total:			
Total locations, beginning of period	2,012	73	2,085
New locations opened	47	—	47
Locations acquired	6	—	6
Locations closed or consolidated	(26)	(1)	(27)
Total locations, end of period	2,039	72	2,111

(1) At December 31, 2017, 313 of the U.S. pawn stores, which are primarily located in Texas and Ohio, also offered consumer loans or credit services products, while 49 Mexico pawn stores offered consumer loan products.

(2) The Company's U.S. free-standing consumer loan locations offer consumer loans and/or credit services products and are located in Ohio, Texas, California and limited markets in Mexico. The table does not include 62 check cashing locations operated by independent franchisees under franchising agreements with the Company.

The Company maintains its primary administrative offices in Fort Worth, Texas and Monterrey, Mexico.

Table of Contents

As of December 31, 2017, the Company’s stores were located in the following countries and states:

	Pawn Locations	Consumer Loan Locations (1)	Total Locations
U.S.:			
Texas	388	24	412
Ohio	110	9	119
Florida	76	—	76
Georgia	44	—	44
Tennessee	43	—	43
North Carolina	40	—	40
Indiana	35	—	35
Arizona	35	—	35
Washington	33	—	33
Colorado	30	—	30
Maryland	28	—	28
Nevada	27	—	27
South Carolina	27	—	27
Kentucky	26	—	26
Illinois	25	—	25
Louisiana	25	—	25
Missouri	25	—	25
Oklahoma	18	—	18
California	—	11	11
Alabama	8	—	8
Utah	7	—	7
Alaska	6	—	6
Virginia	6	—	6
District of Columbia	3	—	3
Wyoming	2	—	2
Nebraska	1	—	1
	1,068	44	1,112
Mexico:			
Estado de. Mexico (State of Mexico)	108	—	108
Baja California	78	3	81
Veracruz	71	—	71
Nuevo Leon	64	2	66
Jalisco	59	4	63
Puebla	56	4	60
Tamaulipas	52	3	55
Chihuahua	40	2	42
Coahuila	41	—	41
Guanajuato	35	6	41
Estado de Ciudad de Mexico (State of Mexico City)	31	—	31
Sonora	27	—	27
Guerrero	26	—	26

7

Table of Contents

	Pawn Locations	Consumer Loan Locations (1)	Total Locations
Mexico (continued):			
Sinaloa	24	—	24
Quintana Roo	22	—	22
Michoacan	17	—	17
Morelos	17	—	17
Oaxaca	17	—	17
Aguascalientes	13	3	16
Durango	15	—	15
Queretaro	14	1	15
San Luis Potosi	14	—	14
Hidalgo	13	—	13
Baja California Sur	10	—	10
Chiapas	10	—	10
Tabasco	10	—	10
Zacatecas	10	—	10
Yucatan	9	—	9
Campeche	6	—	6
Tlaxcala	6	—	6
Colima	5	—	5
Nayarit	5	—	5
	925	28	953
Guatemala	33	—	33
El Salvador	13	—	13
Total	2,039	72	2,111

(1) The table does not include 62 U.S. check cashing locations operated by independent franchisees under franchising agreements with the Company.

Pawn Store Operations

The typical Company pawn store is a freestanding building or part of a retail shopping center with adequate, well-lit parking. Management has established a standard store design intended to distinguish the Company's stores from the competition. The design consists of a well-illuminated exterior with distinctive signage and a layout similar to other contemporary specialty retailers. The Company's stores are typically open six to seven days a week from 9:00 a.m. to between 6:00 p.m. and 9:00 p.m.

The Company attempts to attract customers primarily through the pawn stores' visibility and neighborhood presence. The Company uses seasonal promotions, special discounts for regular customers, prominent display of impulse purchase items such as consumer electronics, jewelry and power tools, tent and sidewalk sales, and a layaway purchasing plan to attract retail shoppers. The Company attempts to attract and retain pawn customers by lending a competitive percentage of the estimated sale value of items presented for pledge and by providing quick financing, renewal and redemption services in an appealing atmosphere.

8

Table of Contents

Generally, each pawnshop employs a manager, one or two assistant managers, and between one and eight sales personnel, depending upon the size, sales volume and location of the store. The store manager is responsible for supervising personnel and assuring the store is managed in accordance with Company guidelines and established policies and procedures. Each manager reports to a district manager, who typically oversees four to seven store managers. District managers typically report to a regional manager who, in turn, typically report to a regional operations director. Regional operations directors report to a vice president of operations.

The Company believes the profitability of its pawnshops is dependent, among other factors, upon its employees' ability to engage in transactions that achieve optimum pawn yields and merchandise sales margins, to be effective sales people and to provide prompt and courteous service. The Company's computer system permits a store manager or clerk to rapidly recall the cost of an item in inventory and the date it was purchased, as well as the prior transaction history of a particular customer. It also facilitates the timely valuation of goods by showing values assigned to similar goods. The Company has networked its stores to allow employees to more accurately determine the retail value of merchandise and to permit the Company's headquarters to more efficiently monitor each store's operations, including merchandise sales, service charge revenue, pawns written and redeemed and changes in inventory.

The Company trains its employees through direct instruction and on-the-job pawn and sales experience. New employees are introduced to the business through an orientation and training program that includes on-the-job training in lending practices, layaways, merchandise valuation and general administration of store operations. Certain experienced employees receive training and an introduction to the fundamentals of management to acquire the skills necessary to advance into management positions within the organization. Management training typically involves exposure to income maximization, recruitment, inventory control and cost efficiency. The Company maintains a performance-based compensation plan for all store employees based on sales, gross profit and other performance criteria.

Credit Services and Consumer Loan Operations

Similar to the Company's pawn store operations, the Company's credit services and consumer loan locations are typically part of a retail strip shopping center with good visibility from a major street and easy access to parking. Management has established a standard store design intended to distinguish the Company's stores from the competition, which consists of a well-illuminated exterior with distinctive signage. The interiors typically feature an ample lobby separated from employee work areas by glass teller windows. The Company's credit services and consumer loan locations are typically open six to seven days a week from 9:00 a.m. to between 6:00 p.m. and 9:00 p.m.

Competition

The Company encounters significant competition in connection with all aspects of its business operations. These competitive conditions may adversely affect the Company's revenue, profitability and ability to expand. The Company believes the primary elements of competition in the businesses in which it operates are store location, the ability to lend competitive amounts on pawn loans, customer service and management of store employees. In addition, the Company competes with financial institutions, such as banks and consumer finance companies, which generally lend on an unsecured as well as a secured basis. Other lenders may and do lend money on terms more favorable than those offered by the Company. Many of these financial institutions have greater financial resources than the Company in which to compete for consumer loans.

The Company's pawn business competes primarily with other pawn store operators, other specialty consumer finance operators, rent-to-own stores and specialty consumer goods retailers. Management believes the pawn industry remains highly fragmented with an estimated 12,000 to 14,000 total pawnshops in the U.S. and 6,500 to 8,000 pawnshops in

Mexico. Including the Company, there are two publicly-held, U.S.-based pawnshop operators, both of which have pawn operations in the U.S., Mexico, Guatemala and El Salvador. Of these two, the Company had the most pawn stores and the largest market capitalization as of December 31, 2017, and believes it is the largest public or private operator of large format, full-service pawn stores in the U.S. and Mexico. The pawnshop and other specialty consumer finance industries are characterized by a large number of independent owner-operators, some of whom own and operate multiple locations.

In both its U.S. and Latin American retail pawn operations, the Company’s competitors include numerous retail and wholesale merchants, including jewelry stores, rent-to-own stores, discount retail stores, “second-hand” stores, consumer electronics stores, other specialty retailers, online retailers, online auction sites, online classified advertising sites and other pawnshops. Competitive factors in the Company’s retail operations include the ability to provide the customer with a variety of merchandise items at attractive prices. Many of the retail competitors have significantly greater size and financial resources than the Company.

Table of Contents

Intellectual Property

The Company relies on a combination of copyright, trade secret, trademark, website domain names and other rights, including confidentiality procedures and contractual provisions to protect its proprietary technology, processes and other intellectual property.

The Company’s competitors may develop products that are similar to its technology, such as the Company’s proprietary point of sale software. The Company enters into agreements with its employees, consultants and partners, and through these and other written agreements, the Company attempts to control access to and distribution of its software, documentation and other proprietary technology and information. Despite the Company’s efforts to protect its proprietary rights, third parties may, in an authorized or unauthorized manner, attempt to use, copy or otherwise obtain and market or distribute its intellectual property rights or technology or otherwise develop a product with the same functionality as its solution. Policing all unauthorized use of the Company’s intellectual property rights is nearly impossible. The Company cannot be certain that the steps it has taken or will take in the future will prevent misappropriations of its technology or intellectual property rights.

“FirstCash,” “First Cash,” “First Cash Pawn,” “Cash America” and “Cashland” are registered trademarks in the U.S. “First Cas
“First Cash Empeño y Joyeria,” “Cash Ya,” “Cash & Go,” “CA,” “Cash America,” “Presta Max,” “Realice Empeños,” “Empeñ
Mexicanos” and “Maxi Prenda” are registered trademarks in Latin America. Other significant trade names used by the Company in the U.S. and abroad include First Cash Advance, Famous Pawn, Fast Cash Pawn & Gold Center, King Pawn, Mister Money Pawn, Money Man Pawn, Valu + Pawn, Dan’s Discount Jewelry & Pawn, Quick Cash Pawn, Atomic Pawn, Loftis Jewelry & Pawnbrokers, Regent Pawn & Jewelry, Smart Pawn, Piazza Jewelry & Pawn, David’s Pawn Shop, Sharp Mart, Lakelands Pawn & Gun, Cash America Pawn, SuperPawn, Cash America Payday Advance, Mr. Payroll and American Trade & Loan.

Franchises

As of December 31, 2017, the Company had 62 unconsolidated franchised check cashing locations in the U.S. operating under its “Mr. Payroll” brand. Each of the Company’s unconsolidated franchised check cashing locations is subject to a franchise agreement that is negotiated individually with each franchisee. The franchise agreements have varying durations.

Governmental Regulation

General

The Company is subject to significant regulation of its pawn, consumer loan and general business operations in all of the jurisdictions in which it operates. These regulations are implemented through various laws, ordinances and regulatory pronouncements from federal, state and municipal governmental entities in the U.S. and Latin America. These regulatory bodies often have broad discretionary authority over the establishment, interpretation and enforcement of such regulations. These regulations are subject to change, sometimes significantly, as a result of political, economic or social trends, events and media perception.

The Company is subject to specific laws, regulations and ordinances primarily concerning its pawn and consumer lending operations. Many statutes and regulations prescribe, among other things, the general terms of the Company’s pawn and consumer loan agreements, including maximum service fees and/or interest rates that may be charged and collected and mandatory consumer disclosures. In many municipal, state and federal jurisdictions, in both the U.S. and countries in Latin America, the Company must obtain and maintain regulatory operating licenses and comply with regular or frequent regulatory reporting and registration requirements, including reporting and recording of pawn loans, pawned collateral, used merchandise purchased from the general public, retail sales activities, firearm transactions, export, import and transfer of merchandise, and currency transactions, among other things.

In both the U.S. and Latin America, certain elected officials, regulators, consumer advocacy groups and the media have advocated for governmental action to further restrict or even prohibit pawn transactions or small consumer loans, such as payday advances and credit services products. The elected officials, regulators, consumer groups and media typically focus on the aggregated cost to a consumer for pawn and consumer loans, which is typically higher than the interest generally charged by banks, credit unions and credit card issuers to a more creditworthy consumer. They also focus on affordability issues such as the borrower's ability to repay such loans, real or perceived patterns of sustained or cyclical usage of such lending products and consumer loan collection practices perceived to be unfair or abusive. The elected officials, regulators, consumer groups and media often characterize pawn and payday lending activities as unfair or potentially abusive to consumers. During the last few years, legislation, ordinances and edicts (on federal, state and municipal levels) have been introduced or enacted to prohibit, restrict or further regulate pawn and related transactions, including acceptance of pawn collateral and used merchandise in general or, from certain individuals, sales of such merchandise in general or specific categories such as firearms, payday loans, consumer loans, credit services and related service fees on these products. In addition, public officials and regulatory authorities, including law enforcement in various levels

Table of Contents

of government in the U.S. and countries in Latin America have and will likely continue to make edicts, proposals or public statements concerning new or expanded regulations that would prohibit or further restrict pawn and consumer lending activities or other related pawn transactions.

The Company is subject to numerous other types of regulations including, but not limited to, regulations related to securities and exchange activities, including financial reporting and internal controls processes, data protection and privacy, tax compliance, health and safety, labor and employment practices, import/export activities, real estate transactions, electronic banking, credit card transactions, marketing, advertising and other general business activities.

There can be no assurance that the current political domestic and international climate, including additional local, state or federal statutes, regulations or edicts will not affect or be enacted or that existing laws and regulations will not be amended, decreed or interpreted at some future date that could prohibit or limit the ability of the Company to profitably operate any or all of its services. For example, such regulations could restrict the ability of the Company to offer pawn loans, consumer loans and credit services, significantly decrease the interest rates or service fees for such lending activities, prohibit or more stringently regulate the acceptance of pawn collateral or buying used merchandise and the sale, exportation or importation of such pawn merchandise, or processing of consumer loan transactions through the banking system, any of which could have a material adverse effect on the Company’s operations and financial condition. If legislative, regulatory or other arbitrary actions or interpretations are taken at a federal, state or local level in the U.S. or countries in Latin America which negatively affect the pawn, consumer loan or credit services industries where the Company has a significant number of stores, those actions could have a material adverse effect on the Company’s business operations. There can be no assurance that such regulatory action at any jurisdiction level will not be enacted, or that existing laws and regulations will not be amended, decreed or interpreted in such a way which could have a material adverse effect on the Company’s operations and financial condition.

U.S. Federal Regulations

The U.S. government and its agencies have significant regulatory authority over consumer financial services activities. In recent years, additional legislation and regulations have been enacted or proposed which has increased or could continue to increase regulation of the consumer finance industry. These regulations and restrictions are or may be specific to pawn, credit services and consumer loan/payday advance operations.

The Consumer Financial Protection Bureau (the “CFPB”), created by Title X of the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”), has broad regulatory, supervisory and enforcement powers over most non-bank providers of consumer credit. The CFPB’s powers include explicit supervisory authority to examine and require registration of providers of consumer financial products and services, including providers of secured and unsecured consumer loans, such as the Company, the authority to adopt rules describing specified acts and practices as being “unfair,” “deceptive,” “abusive” and hence “unlawful,” and the authority to impose recordkeeping obligations and promulgate additional compliance requirements.

Over the years, the CFPB has systematically gathered data related to all aspects of the consumer loan industry and its impact on consumers. The CFPB continues to use its Short-Term, Small-Dollar Lending Procedures, the field guide CFPB examiners use when examining small-dollar lenders like the Company. The CFPB’s examination authority permits examiners to inspect the Company’s books and records and ask questions about its business and its practices. The examination procedures include, among other things, specific modules for examining marketing activities, loan application and origination activities, payment processing activities and sustained use by consumers, collections and collection practices, defaults, consumer reporting and third-party or vendor relationships.

In addition to the Dodd-Frank Act’s grant of regulatory and supervisory powers to the CFPB, the Dodd-Frank Act gives the CFPB authority to pursue administrative proceedings or litigation for actual or perceived violations of federal consumer laws (including the CFPB's own rules). In these proceedings, the CFPB can seek consent orders, memorandums of understandings, obtain cease and desist orders (which can include orders for redisclosure, restitution or rescission of contracts, as well as affirmative or injunctive relief) and monetary penalties ranging from $5,000 per day for certain violations of federal consumer laws to $25,000 per day for reckless violations, and $1,000,000 per day for knowing or intentional violations. Also, where a company has been found to have violated consumer laws, the Dodd-Frank Act (in addition to similar state consumer laws) empowers state attorneys general and state regulators to bring administrative or civil actions seeking the same equitable relief available to the CFPB, in addition to state-led enforcement actions and consent orders. If the CFPB or one or more state officials believe that the Company has violated any of the applicable laws or regulations, they could exercise their enforcement powers in ways that could have a material adverse effect on the Company or its business.

Table of Contents

On July 11, 2017, the CFPB issued a final rule on consumer arbitration agreements banning waiver of class action in pre-dispute arbitration clauses (the "Arbitration Rule") with an effective date of March 2019. The rule, as written, would have prohibited financial services companies, including the Company, from using arbitration clauses that ban consumers from participating in class actions. On July 25, 2017, the House of Representatives voted to repeal the Arbitration Rule using the Congressional Review Act (the "CRA") and on October 24, 2017, the Senate also voted to repeal the Arbitration Rule under the CRA. Congress' override and repeal of the Arbitration Rule was signed by the President on November 1, 2017. The congressional repeal prevents the measure from returning to legislative consideration for the next five years. The Arbitration Rule was also legally challenged by various industry trades and groups seeking declaratory and injunctive relief and challenging the constitutionality and legality of the Arbitration Rule and the CFPB, among other things (the "Arbitration Lawsuit"). The CRA repeal likely makes the Arbitration Lawsuit moot unless the plaintiffs continue to pursue additional relief or declaration that the CFPB is unconstitutional.

On October 5, 2017, the CFPB released its small-dollar loan rule (the "SDL Rule"). The SDL Rule technically became effective on January 16, 2018, but there is no practical effect until April 2018 at the earliest, and most of the SDL Rule's provisions do not become effective until July 2019. However, on January 16, 2018, the CFPB announced that it intends "to engage in a rulemaking process so that the Bureau may reconsider the payday rule." The outcome of this announcement is unclear but it is possible that the CFPB could amend portions of the SDL Rule before it takes effect and avoid having Congress repeal the SDL Rule using the CRA. If the SDL Rule takes effect, lenders, like the Company, will be required, among other things, to determine whether consumers have the ability to repay their loans before issuing certain short-term small dollar, payday and auto title loans, verification by the consumer of certain debts and verification through outside sources by lenders of certain debts, mandatory cooling off periods and restrictions on collection practices. Importantly, the SDL Rule does not apply to non-recourse pawn loans. If the CFPB fails to amend the perceived problematic portions of the SDL Rule, it is likely that the SDL Rule will be subject to legislative challenges and trade association litigation. If the SDL Rule remains effective in its current form, the small dollar lending industry will experience a significant regulatory change. While the SDL Rule has been finalized, it is still not certain whether it will take effect, and to what extent it will impact the Company since the CFPB (under new leadership appointed by the President) issued a formal statement notifying the public that it intends to engage in a "rulemaking process" to reconsider the rule. While the SDL Rule currently requires consumer lenders to register with the CFPB by April 16, 2018, the CFPB formally notified the public that it will entertain waiver requests from lenders to avoid this registration requirement. The SDL Rule may also be repealed under the Congressional Review Act. A resolution was introduced in the House of Representatives on December 1, 2017 to begin the process of repealing the rule, and it is currently pending in the House Financial Services Committee.

The Company believes that the SDL Rule (even in its current form) will not directly impact the vast majority of its pawn products, which comprise approximately 96% of its total revenues. On a consolidated basis, the Company expects consumer loan revenue for the year ending December 31, 2018 to account for approximately 3.5% of the Company's consolidated total revenue.

In July 2015, the U.S. Department of Defense published a finalized set of additional requirements and restrictions under the Military Lending Act ("MLA Rule"). The MLA Rule (and rules previously adopted thereunder) have prevented the Company from offering its pawn services and its short-term unsecured credit products to members of the military or their dependents because none of the Company's products carry a military annual percentage rate of 36% or less. The MLA Rule, which went into effect on October 3, 2016, amended requirements for its "safe harbor" (making covered member attestation insufficient on its own to comply with the "safe harbor" provision of the MLA Rule) and expanded the scope of the credit products covered by the MLA to include certain non-purchase money loans secured by personal property, including pawn loans, or vehicles and certain unsecured installment loan products to the extent any such products have a military annual percentage rate greater than 36%. Under the MLA Rule, the Company is unable to offer any of its current credit products, including pawn loans, to members of the U.S. military or their dependents. While the Company does not believe that active members of the U.S. military or their dependents comprise a significant percentage of the historical customer base in most locations, compliance with the MLA Rule, including its safe harbor provisions, is complex, increases compliance risks and related costs and limits the potential customer base of the Company.

In addition to the federal laws and frameworks already governing the financial industry, the U.S. Justice Department ("DOJ" or "Department of Justice"), in conjunction with federal banking regulators, began an initiative in 2013 ("Operation Choke Point") which was directed at banks in the U.S. that do business with payment processors, payday lenders, pawn operators and other companies believed to be at higher risk for fraud and money laundering. It is believed the intent of this initiative was to restrict the ability of banks to provide financial services to companies in the targeted industries. In January 2015, the Federal Deposit Insurance Corporation (the "FDIC") issued a publication encouraging banks to take a risk-based approach in assessing individual customer relationships, rather than declining to provide banking services to entire categories of customers without regard to the risks presented by an individual customer or the financial institution's ability to manage the risk. While many believe this publication effectively ended Operation Choke Point, the Company continues to experience difficulty in securing new banking services and maintaining existing banking services in certain markets. There can be no assurance that Operation Choke Point and its subsequent effects will not pose a further threat to the Company's ability to access credit, maintain bank accounts and treasury services, process payday lending transactions or obtain other banking services needed to operate efficiently and profitably.

Table of Contents

In connection with pawn transactions and credit services/consumer loan transactions, the Company must comply with the various disclosure requirements under the Federal Truth in Lending Act (and Federal Reserve Regulation Z promulgated thereunder). These disclosures include, among other things, the total amount of the finance charges and annualized percentage rate of the charges associated with pawn transactions, consumer loan and credit services transactions.

The credit services/consumer loan business is also subject to various laws, rules and guidelines relating to the procedures and disclosures needed for debiting a debtor’s checking account for amounts due via an automated clearing house (“ACH”) transaction. Additionally, the Company is subject to the Federal Fair Debt Collection Practices Act (“FDCPA”) and applicable state collection laws when conducting its collection activities.

Under the Bank Secrecy Act, the U.S. Department of the Treasury (the “Treasury Department”) regulates transactions involving currency in an amount greater than $10,000 and the purchase of monetary instruments for cash in amounts from $3,000 to $10,000 must be recorded. In general, financial institutions, including the Company, must report each deposit, withdrawal, exchange of currency or other payment or transfer, whether by, through or to the financial institution, that involves currency in an amount greater than $10,000 during a specific period. In addition, multiple related currency transactions must be treated as single transactions if the financial institution has knowledge that the transactions are by, or on behalf of, any one person and result in either cash in or cash out totaling more than $10,000 during any one business day or over a certain time period.

Under the USA PATRIOT Act passed by Congress in 2001 and revised in 2006, the Company is required to maintain an anti-money laundering compliance program. The program must include (1) the development of internal policies, procedures and controls, (2) the designation of a compliance officer, (3) an ongoing employee-training program, and (4) a review function to test the program.

The Gramm-Leach-Bliley Act requires the Company to generally protect the confidentiality of its customers’ nonpublic personal information and to disclose to its customers its privacy policy and practices, including those regarding sharing the customers’ nonpublic personal information with third parties. Such disclosure must be made to customers at the time the customer relationship is established, at least annually thereafter, and if there is a change in the Company’s privacy policy. In addition, the Company is subject to strict document retention and destruction policies.

The federal Equal Credit Opportunity Act (“ECOA”) prohibits discrimination against any credit applicant on the basis of any protected category, such as race, color, religion, national origin, sex, marital status, or age, and requires the Company to notify credit applicants of the Company’s consumer loan products of any action taken on the individual’s credit application. The Company must provide a loan applicant a Notice of Adverse Action (“NOAA”) when the Company denies an application for credit. The NOAA must inform the applicant of (1) the action taken regarding the credit application, (2) a statement of the ECOA’s prohibition on discrimination, (3) the name and address of both the creditor and the federal agency that monitors compliance with the ECOA, and (4) the applicant’s right to learn the specific reasons for the denial of credit and the contact information for the parties the applicant can contact to obtain those reasons. The Company provides NOAA letters and maintains records of all such letters as required by the ECOA and its regulations.

The Company’s consumer loan products are also subject to the Fair Credit Reporting Act, which requires the Company to provide certain information to customers whose credit applications are not approved on the basis of a report obtained from a consumer reporting agency and to respond to consumers who inquire regarding any adverse reporting submitted by the Company to the consumer reporting agencies.

The Company’s advertising and marketing activities, in general, are subject to additional federal laws and regulations administered by the Federal Trade Commission and the CFPB which prohibit unfair or deceptive acts or practices and false or misleading advertisements.

The federal Fair and Accurate Credit Transactions Act (“FACTA”) requires the Company to adopt written guidance and procedures for detecting, mitigating, preventing and responding appropriately to identity theft and to adopt various employee policies, procedures, and provide employee training and materials that address the importance of protecting nonpublic personal information and aid the Company in detecting and responding to suspicious activity, including suspicious activity which may suggest a possible identity theft red flag, as appropriate.

The Company is subject to the Foreign Corrupt Practices Act (“FCPA”) and other laws that prohibit improper payments or offers of improper payments to foreign governments and their officials and political parties by U.S. persons and issuers (as defined by the statute) for the purpose of obtaining or retaining business. It is the Company’s policy to maintain safeguards to discourage these practices by its employees and follow Company standards of conduct for its business throughout the U.S. and Latin America, including the prohibition of any direct or indirect payment or transfer of Company funds or assets to suppliers, vendors, or government officials in the form of bribes, kickbacks or other illegal payoffs.

Each pawn store location that handles pawned firearms or buys and sells firearms must comply with the Brady Handgun Violence Prevention Act (the “Brady Act”). The Brady Act requires that federally licensed firearms dealers conduct a background check in connection with any disposition of handguns. In addition, the Company must comply with the regulations of the U.S. Department of Justice-Bureau of Alcohol, Tobacco and Firearms that require each pawn lending location dealing in guns to obtain a Federal Firearm License (“FFL”) and maintain a permanent written record of all receipts and dispositions of firearms. As of December 31, 2017, the Company had 695 locations in the U.S. with an active FFL.

U.S. State and Local Regulations

The Company operates pawn stores in 25 U.S. states (including the District of Columbia), all of which have licensing and/or fee regulations on pawnshop operations. In general, state statutes and regulations establish licensing requirements for pawnbrokers and regulate various aspects of pawn transactions, including the purchase and sale of merchandise, service charges, interest rates, the content and form of the pawn transaction agreement and the length of time a pawnbroker must hold a purchased item or forfeited pawn before it is made available for sale. Additionally, these statutes and regulations in various jurisdictions restrict or prohibit the Company from transferring and/or relocating its pawn licenses and restrict or prohibit the issuance of new licenses. The Company’s fee structures are at or below the applicable rate ceilings adopted by each of these states. The Company offers its pawn and retail customers an interest free layaway plan which complies with applicable state laws. In addition, the Company is in compliance with the net asset requirements in states where it is required to maintain certain levels of liquid assets for each pawn store it operates in the applicable state. Failure to observe a state’s legal requirements for pawn brokering could result, among other things, in loss of pawn licenses, fines, refunds, and other civil or criminal proceedings.

Many of the Company’s pawn locations are also subject to local ordinances that require, among other things, local permits, licenses, record keeping requirements and procedures, reporting of daily transactions, and adherence to local law enforcement “do not buy lists” by checking law enforcement created databases. Specifically, under some county and municipal ordinances, pawn stores must provide local law enforcement agencies with reports of all daily transactions involving pawns and over-the-counter merchandise purchases. These daily transaction reports are designed to provide local law enforcement officials with a detailed description of the merchandise involved, including serial numbers, if any, or other specific identifying information, including the name and address of the customer obtained from a valid identification card and photographs of the customers and/or merchandise in certain jurisdictions. Goods held to secure pawns or goods purchased may be subject to mandatory holding periods before they can be resold by the Company. If pawned or purchased merchandise is determined to belong to an owner other than the borrower or seller, it may be subject to confiscation by police for recovery by the rightful owners. Historically, the Company has not found the volume of the confiscations or claims to have a material adverse effect upon results of operations. The Company does not maintain insurance to cover the costs of returning merchandise to its rightful owners but historically has benefited from civil and criminal restitution efforts.

The Company operates its consumer loan business in 12 states which are regulated under a variety of enabling state statutes and subject to various local rules, regulations and ordinances. The scope of these regulations, including the fees and terms of the Company’s consumer loan products and services, varies by state, county and city. These laws generally define the services that the Company can provide to consumers and require the Company to provide a contract to the customer outlining the Company’s services and the cost of those services to the customer. During fiscal 2017, the Company’s consumer loan and credit services fee revenue represented approximately 4% of the Company’s overall revenues.

The states with laws that specifically regulate the Company’s consumer loan products and services typically limit the principal amount of a consumer loan and set maximum fees or interest rates that customers may be charged. Most states also limit a customer’s ability to renew a short-term consumer loan and require various disclosures to consumers. State statutes often specify minimum and maximum maturity dates for consumer loans and, in some cases, specify mandatory cooling-off periods between transactions. The Company’s collection activities regarding past due amounts are subject to consumer protection laws and state regulations relating to debt collection practices. Also, some states require the Company to report loan activity to state-wide databases and restrict the number and/or principal amount of loans a consumer may have outstanding at any particular time or over the course of a particular period of time, typically twelve months. In addition, these laws may require additional disclosures to consumers and may require the Company to be registered with the jurisdiction and/or be bonded.

As a credit services organization in certain jurisdictions, the Company assists customers in applying for a short-term extension of credit from the Independent Lenders and issues the Independent Lenders a guarantee for the repayment of the extension of credit. When a consumer executes a credit services agreement with the Company, the customer agrees to pay a fee to the Company if the Independent Lenders approve the extension of credit, and the Company agrees to guarantee the customer’s obligation to repay the extension of credit received by the customer from the Independent Lenders if the customer fails to do so. The credit services organization must give a consumer the right to cancel the credit services agreement without penalty within three days after the agreement is signed. In addition, credit services locations generally must be registered as a credit services organization and are subject to various other jurisdictional regulations and requirements.

Local rules, regulations and ordinances vary widely from county to county or city to city. While many of the local rules and regulations relate primarily to zoning and land use restrictions, certain cities have restrictive regulations specific to pawn and consumer loan products. Additionally, local jurisdictions' efforts to regulate or restrict the terms of pawn, consumer loan and credit services products will likely continue to increase.

It is expected that additional legislation and/or regulations relating to pawn transactions, credit services, installment loans and other consumer loan products will be proposed in several state legislatures and/or city councils where the Company has pawn, consumer loan products and credit services operations. Though the Company cannot accurately predict the scope, extent and nature of future regulations, it is likely that such legislation may address the maximum allowable interest rates on loans, significantly restrict the ability of customers to obtain such loans by limiting the maximum number of consecutive loan transactions that may be provided to a customer, and/or limiting the total loans a customer may have outstanding at any point in time. Any or all of these changes could make offering these products less profitable and could restrict or even eliminate the availability of consumer loan, pawn transactions and credit services products in some or all of the states or localities in which the Company offers such products.

Many local government entities prohibit or restrict pawn and other consumer finance and check cashing activities through zoning ordinances, which can significantly limit the ability of the Company to move, expand, remodel or relocate store locations, and in some cases cause existing stores to be closed. In some jurisdictions, check cashing companies or money transmission agents are required to meet minimum bonding or capital requirements and are subject to record-keeping requirements. Consequently, the Company has de-emphasized its consumer loan business over the last few years and will likely continue to do so in the future, and beginning in fiscal 2018, the Company no longer offers fee-based check cashing services in its non-franchised stores.

The Company cannot currently assess the likelihood of any other proposed legislation, regulations or amendments, such as those described above, which could be enacted. However, if such legislation or regulations were enacted in certain jurisdictions, it could have a materially adverse impact on the revenue and profitability of the Company.

Mexico Federal Regulations

Federal law in Mexico provides for administrative regulation of the pawnshop industry by the Federal Consumer Protection Bureau ("PROFECO"), Mexico's primary federal consumer protection agency, which requires the Company to annually register its pawn stores, approve the pawn contracts and disclose the interest rate and fees charged on pawn and consumer loan transactions. In addition, the pawnshop and consumer finance industries in Mexico are subject to various general business regulations in the areas of tax compliance, customs, consumer protections, money laundering, public safety and employment matters, among others, by various federal, state and local governmental agencies.

PROFECO regulates the form and non-financial terms of pawn contracts and defines certain operating standards and procedures for pawnshops, including retail operations, consumer disclosures and establishes reporting requirements. In January 2013, federal legislation conveyed additional regulatory authority to PROFECO regarding the pawn industry and the national registration process. The 2013 legislation requires all pawn businesses and its owners to register annually with and be approved by PROFECO in order to legally operate. In addition, all operators must comply with additional customer notice and disclosure provisions, bonding requirements to insure against loss or insolvency, reporting of certain types of suspicious transactions, and reporting to state law enforcement officials of certain transactions (or series of transactions) or suspicious transactions on a monthly basis to states' attorneys general offices. PROFECO continues to modify its process and procedures regarding its annual registration requirements and the Company has complied and complies in all material respects with this process and registration requirements as administered by PROFECO. There are significant fines and sanctions, including operating suspensions for failure to register and/or comply with PROFECO's rules and regulations.

Effective in November 2013, the federal government of Mexico enacted anti-money laundering regulations, The Federal Law for the Prevention and Identification of Transactions with Funds From Illegal Sources ("Anti-Money Laundering Law"), which requires monthly reporting of certain transactions (or series of transactions) exceeding certain monetary limits, imposed stricter maintenance of customer identification records and controls and requires reporting of all foreign (non-Mexican) customer transactions. This law affects all industries in Mexico and is intended to detect commercial activities arising from illicit or ill-gotten means though bilateral cooperation between Mexico's Ministry of Finance and Public Credit ("Hacienda"), and all of Mexico's various states' attorneys general offices ("PGR"). This law restricts the use of cash in certain transactions associated with high-value assets, and limits, to the extent possible, money laundering activities protected by the anonymity that cash transactions provide. The law empowers Hacienda to oversee and enforce these regulations and to follow up on the information received from other agencies in Mexico and abroad. Relevant aspects of the law specifically affecting the pawn industry include monthly reporting by the Company to Hacienda and the PGR on “vulnerable activities,” which encompass the sale of jewelry, precious metals and watches exceeding $60,769 Mexican pesos, individually, and retail and pawn transactions (of cash or credit) exceeding $121,161 Mexican pesos, in aggregate. There are significant fines and sanctions for failure to comply with the Anti-Money Laundering Law.

In January 2012, the Federal Personal Information Protection Act (“Mexico Privacy Law”) went into effect, which requires companies to protect their customers’ personal information, among other things. Specifically, the Mexico Privacy Law requires that the Company create and maintain a privacy policy and inform its customers whether the Company shares the customer’s personal information with third parties or transfers personal information to third parties. It also requires public posting (both on-line and in-store) of the Company’s privacy policy, which includes a process for the customer to revoke any previous consent granted to the Company for the use of the customer’s personal information, or limit the use or disclosure of such information.

Mexico State and Local Regulations

Certain state and local governmental entities in Mexico also regulate pawn, other consumer finance and retail businesses through state laws and local zoning and permitting ordinances. For example, in certain states where the Company has significant operations, the states have enacted legislation or implemented regulations which require items such as special state operating permits for pawn stores, certification of pawn employees trained in valuation of merchandise, stricter customer identification controls, collateral ownership certifications and/or detailed and specified transactional reporting of customers and operations. Certain other states have proposed similar legislation but have not yet enacted such legislation. Additionally, certain municipalities in Mexico have attempted to curtail the operation of new and existing pawn stores through additional local business licensing, permitting and reporting requirements. State and local agencies, including local and state police officials, often have unlimited and discretionary authority to suspend store operations pending an investigation of suspicious pawn transactions or resolution of actual or alleged regulatory, licensing and permitting issues.

Other Latin American Federal and Local Regulations

Similar to Mexico, certain federal, department and local governmental entities in Guatemala and El Salvador also regulate the pawn industry, other consumer finance (including consumer lending and disclosures) and retail and commercial businesses. Certain federal laws and local zoning and permitting ordinances require basic commercial business licenses and signage permits. Operating in these countries also subjects the Company to other types of regulations including, but not limited to, regulations related to commercialization of merchandise, financial reporting, privacy and data protection, tax compliance, labor and employment practices, real estate transactions, anti-money laundering, commercial and electronic banking restrictions or cancellations, credit card transactions, marketing, advertising and other general business activities. Like Mexico, department agencies, including local and state police officials have unlimited and discretionary authority in their application of their rules and requirements.

As the scope of the Company’s international operations increases, the Company may face additional administrative and regulatory costs in operating and managing its business. In addition, unexpected changes, arbitrary or adverse court decisions, adverse action by financial regulators, aggressive public officials or regulators attacking the Company’s business models, administrative interpretations of federal or local requirements or legislation, or public remarks by elected officials could negatively impact the Company’s operations and profitability.

Employees

The Company had almost 17,000 employees as of December 31, 2017, including approximately 1,200 persons employed in executive, supervisory, administrative and accounting functions. None of the Company’s employees are covered by collective bargaining agreements. The Company considers its employee relations to be satisfactory.

Insurance

The Company maintains property all-risk coverage and liability insurance for each of its locations in amounts management believes to be adequate. The Company maintains workers’ compensation or employer’s indemnification insurance in states in which the Company operates.

Table of Contents

FirstCash Website

The Company’s primary website is at www.firstcash.com. The Company makes available, free of charge, at its corporate website, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as soon as reasonably practicable after they are electronically filed with the Securities and Exchange Commission (“SEC”). The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

Item 1A. Risk Factors

Important risk factors that could materially affect the Company’s business, financial condition or results of operations in future periods are described below. These factors are not intended to be an all-encompassing list of risks and uncertainties and are not the only risks and uncertainties facing the Company. Additional risks not currently known to the Company or that it currently deems to be immaterial also may materially adversely affect its business, financial condition or results of operations in future periods.

Risks Related to the Company’s Business and Industry

The Company’s financial position and results of operations may fluctuate significantly due to fluctuations in currency exchange rates in Latin American markets.

The Company derives significant revenue, earnings and cash flow from operations in Latin America, where business operations are transacted in Mexican pesos and Guatemalan quetzales. The Company’s exposure to currency exchange rate fluctuations results primarily from the translation exposure associated with the preparation of the Company’s consolidated financial statements, as well as from transaction exposure associated with transactions and assets and liabilities denominated in currencies other than the respective subsidiary’s functional currency. While the Company’s consolidated financial statements are reported in U.S. dollars, the financial statements of the Company’s Latin American subsidiaries are prepared using their respective functional currency and translated into U.S. dollars by applying appropriate exchange rates. As a result, fluctuations in the exchange rate of the U.S. dollar relative to the Latin American currencies could cause significant fluctuations in the value of the Company’s assets, liabilities, stockholders’ equity and operating results. In addition, while expenses with respect to foreign operations are generally denominated in the same currency as corresponding sales, the Company has transaction exposure to the extent expenditures are incurred in currencies other than the respective subsidiary’s functional currency. The costs of doing business in foreign jurisdictions also may increase as a result of adverse currency rate fluctuations. In addition, changes in currency rates could negatively affect customer demand, especially in Latin America and in U.S. stores located along the Mexican border. The average value of the Mexican peso to the U.S. dollar exchange rate for fiscal 2017 was 18.9 to 1, compared to 18.7 to 1 in fiscal 2016 and 15.8 to 1 in fiscal 2015. The average value of the Guatemalan quetzal to the U.S. dollar exchange rate for fiscal 2017 was 7.4 to 1, compared to 7.6 to 1 in fiscal 2016 and 7.7 to 1 in fiscal 2015. The Company also has operations in El Salvador where the reporting and functional currency is the U.S. dollar.

The Company’s products and services are subject to extensive regulation and supervision under various federal, state and local laws, ordinances and regulations in both the U.S. and Latin America. If changes in regulations affecting the Company’s pawn, credit services and consumer loan businesses create increased restrictions, or have the effect of prohibiting loans in the jurisdictions where the Company offers these products, such regulations could materially impair or reduce the Company’s pawn, credit services and consumer loan businesses and limit its expansion into new markets.

The Company’s products and services are subject to extensive regulation and supervision under various federal, state and local laws, ordinances and regulations in both the U.S. and Latin America. The Company faces the risk that restrictions or limitations on loan products, loan amounts, loan yields, loan fees and customer acceptance of loan products resulting from the enactment, change, or interpretation of laws and regulations in the U.S. or Latin America could have a negative effect on the Company’s business activities. Both consumer loans, including vehicle title loans, and, to a lesser extent, pawn transactions and buy/sell agreements, have come under increased scrutiny and increasingly restrictive regulation in recent years. Other enacted or recently proposed regulatory activity may limit the number of loans that customers may receive or have outstanding and require the Company to offer an extended payment plan to its customers, and regulations adopted by some states require that all borrowers of certain loan products be listed on a database, limit the yield on pawn or consumer loans and limit the number of such loans borrowers may have outstanding. Certain consumer advocacy groups and federal and state legislators have also asserted that laws and regulations should be tightened so as to severely limit, if not eliminate, the availability of pawn transactions, buy/sell agreements, consumer loans and credit services products to consumers. It is difficult to assess the likelihood of the enactment of any unfavorable federal or state legislation or local ordinances, and there can be no assurance that additional legislative or regulatory initiatives will not be enacted that would severely restrict, prohibit, or eliminate the Company's ability to offer certain products and services.

In Latin America, restrictions and regulations affecting pawn, buy/sell and consumer loan industries, including licensing restrictions, customer identification requirements, suspicious activity reporting, disclosure requirements and limits on interest rates, loan service fees, or other fees have been and continue to be proposed from time to time. Adoption of such federal, state or local regulation or legislation in the U.S. and Latin America could restrict, or even eliminate, the availability of pawn transactions, buy/sell agreements and consumer loans at some or all of the Company's locations, which would adversely affect the Company's operations and financial condition.

The extent of the impact of any future legislative or regulatory changes will depend on the political climate, the nature of the legislative or regulatory change, the jurisdictions to which the new or modified laws would apply, and the amount of business the Company does in that jurisdiction. Moreover, similar actions by states or foreign countries in which the Company does not currently operate could limit its opportunities to pursue its growth strategies. A more detailed discussion of the regulatory environment and current developments and risks to the Company is provided in "Business—Governmental Regulation."

Media reports, statements made by regulators and elected officials and public perception in general of pawnshop and consumer loan operations, including payday advances or pawn transactions, as being predatory or abusive could materially adversely affect the Company's pawn, consumer loan and credit services businesses. In recent years, consumer advocacy groups and some media reports, in both the U.S. and Latin America, have advocated governmental action to prohibit or place severe restrictions on consumer loans, including payday advances and pawn services.

Reports and statements made by consumer advocacy groups, members of the media, regulators and elected officials often focus on the annual or monthly cost to a consumer of consumer loans and pawn transactions, which are generally higher than the interest typically charged by banks to consumers with better credit histories. These reports and statements typically characterize pawn and/or consumer loans as predatory or abusive or focus on alleged instances of pawn operators purchasing or accepting stolen property as pawn collateral. If the negative characterization of these types of transactions becomes increasingly accepted by consumers, demand for pawn and/or consumer loan products could significantly decrease, which could materially affect the Company's results of operations and financial condition. Additionally, if the negative characterization of these types of transactions becomes increasingly accepted by legislators and regulators, the Company could become subject to more restrictive laws and regulations that could have a material adverse effect on the Company's financial condition and results of operations.

The CFPB has regulatory, supervisory and enforcement powers over providers of consumer financial products and services in the U.S., and it could exercise its enforcement powers in ways that could have a material adverse effect on the Company's business and financial results.

The CFPB has been exercising its supervisory review over certain non-bank providers of consumer financial products and services, including providers of consumer loans and certain title pawn loans such as the Company. The CFPB's examination authority permits CFPB examiners to inspect the books and records of providers of short-term, small dollar lenders, such as the Company, and ask questions about their business practices. The CFPB's examination procedures include specific modules for examining marketing activities, loan application and origination activities, payment processing activities, sustained use by consumers, collection practices, accounts in default and consumer reporting activities as well as third-party relationships. As a result of these examinations of non-bank providers of consumer credit, the Company could be required to change its practices or procedures, whether as a result of another party being examined or as a result of an examination of the Company, or could be subject to monetary penalties, which could adversely affect the Company. Under certain circumstances, the CFPB may also be able to exercise regulatory authority over providers of pawn services through its rule making authority.

For example, on July 11, 2017, the CFPB issued the Arbitration Rule banning waiver of class action in pre-dispute arbitration clauses with an effective date of March 2019. The rule, as written, would have prohibited financial services companies, including the Company, from using arbitration clauses that ban consumers from participating in class actions. However, the Arbitration Rule was repealed by Congress and the repeal was signed by the President on November 1, 2017. The congressional repeal prevents the measure from returning to legislative consideration for the next five years.

Another example is the SDL Rule released by the CFPB on October 5, 2017. The SDL Rule technically became effective on January 16, 2018, but there is no practical effect until April 2018, at the earliest, with most of the SDL Rule's provisions becoming effective July 2019. On January 16, 2018, however, the CFPB announced that it intends "to engage in a rulemaking process so that the Bureau may reconsider the payday rule." The outcome of this announcement is unclear, but it is possible that the CFPB could amend portions of the SDL Rule before it takes effect. If the SDL Rule takes effect, lenders, like the Company, will likely be required, among other things, to determine whether consumers have the ability to repay their loans before issuing certain short-term small dollar, payday and auto title loans, obtain verification from the consumer of certain debts and verification through outside sources by lenders of certain debts, implement mandatory cooling off periods and increase restrictions on collection practices. The SDL Rule defines the Company’s consumer loan products, both short-term loans, and installment loans, as loans covered under the rule, but the vast majority of the Company’s pawn loans are not covered by the rule. If the SDL Rule remains effective in its current form, the small dollar lending industry will experience a significant regulatory change. While the SDL Rule has been finalized, it is still not certain whether it will take effect, and to what extent it will impact the Company since the CFPB issued a formal statement notifying the public that it intends to engage in a “rulemaking process” to reconsider the rule. The Company continues to review the SDL Rule to determine its potential impact on the Company’s consumer loan portfolio if the rule is not repealed or otherwise revised. On a consolidated basis, the Company expects consumer loan revenue for the year ending December 31, 2018 to account for approximately 3.5% of the Company’s consolidated total revenue.

In addition to having the authority to obtain monetary penalties for violations of applicable federal consumer financial laws (including the CFPB’s own rules), the CFPB can require remediation of practices, including through memorandums of understanding and consent orders, pursue administrative proceedings or litigation and obtain cease and desist orders (which can include orders for restitution or rescission of contracts, as well as other kinds of affirmative relief). Also, where a company has violated Title X of the Dodd-Frank Act or CFPB regulations implemented under Title X of the Dodd-Frank Act, the Dodd-Frank Act empowers state attorneys general and state regulators to bring civil actions to remedy violations of state law. If the CFPB or one or more state attorneys general or state regulators believe that the Company has violated any of the applicable laws or regulations or any consent orders or memorandums of understanding instituted by the CFPB or state regulators against the Company, they could exercise their enforcement powers in ways that could have a material adverse effect on the Company’s business and financial results.

See “Business—Government Regulation” for a further discussion of the regulatory authority of the CFPB.

PROFECO has regulatory, supervisory and enforcement powers over pawn operators in Mexico, and it could exercise its enforcement powers in ways that could have a material adverse effect on the Company’s business and financial results.

Federal law in Mexico provides for administrative regulation of the pawnshop industry by PROFECO, Mexico’s primary federal consumer protection agency. PROFECO requires all pawn operators like the Company to register its pawn stores, pawn contracts and to disclose the interest rate and fees charged on pawn and consumer loan transactions. PROFECO also regulates the form and non-financial terms of pawn contracts and defines certain operating standards and procedures for pawnshops and establishes reporting requirements.

In January 2013, federal legislation conveyed additional regulatory authority to PROFECO regarding the pawn industry and national registration process. The 2013 legislation requires all pawn businesses and their owners to annually register with and be approved by PROFECO in order to legally operate. In addition, all operators must comply with additional customer notice and disclosure provisions, bonding requirements to insure against loss or insolvency, reporting of certain types of suspicious transactions and monthly reporting to state law enforcement officials of certain transactions (or series of transactions). There are significant fines and sanctions, including operating suspensions, for failure to register and/or comply with PROFECO’s rules and regulations. PROFECO continues to modify its process and procedures regarding its annual registration requirements and the Company has complied and complies in all material respects with this process and registration requirements as administered by PROFECO.

The adoption of new laws or regulations or adverse changes in, or the interpretation or enforcement of, existing laws or regulations affecting the Company’s products and services could adversely affect its financial condition and operating results.

Governments at the national, state and local levels, may seek to impose new laws, regulatory restrictions or licensing requirements that affect the Company's products or services it offers, the terms on which it may offer them, and the disclosure, compliance and reporting obligations it must fulfill in connection with its business. They may also interpret or enforce existing requirements in new ways that could restrict the Company's ability to continue its current methods of operation or to expand operations, impose significant additional compliance costs, and could have a material adverse effect on the Company's financial condition and results of operations. In some cases these measures could even directly prohibit some or all of the Company's current business activities in certain jurisdictions, or render them unprofitable and/or impractical to continue.

In July 2015, the U.S. Department of Defense published the MLA Rule. The MLA Rule (and rules previously adopted thereunder) have prevented the Company from offering its pawn services and short-term unsecured credit products to members of the military or their dependents because none of the Company's products carry a military annual percentage rate of 36% or less. The MLA Rule, which went into effect on October 3, 2016, amended requirements for its "safe harbor" (making covered member attestation insufficient on its own to comply with the "safe harbor" provision of the MLA Rule) and expanded the scope of the credit products covered by the MLA to include certain non-purchase money loans secured by personal property, including pawn loans, or vehicles

Table of Contents

and certain unsecured installment loan products to the extent any such products have a military annual percentage rate greater than 36%. Under the MLA Rule, the Company is unable to offer any of its current credit products, including pawn loans, to members of the U.S. military or their dependents. While the Company does not believe that active members of the U.S. military or their dependents comprise a significant percentage of the historical customer base in most locations, compliance with the MLA Rule, including its safe harbor provisions, is complex, increases compliance risks and related costs and limits the potential customer base of the Company.

Declines in commodity market prices of gold and other precious metals and diamonds could negatively affect the Company’s profits.

The Company’s profitability could be adversely impacted by commodity market fluctuations. As of December 31, 2017, approximately 56% of the Company’s pawn loans were collateralized with jewelry, which is primarily gold, and 51% of its inventories consisted of jewelry, which is also primarily gold. The Company sells significant quantities of gold, other precious metals and diamonds acquired through collateral forfeitures or direct purchases from customers. A significant and sustained decline in gold and/or other precious metal and diamond prices could result in decreased merchandise sales and related margins, decreased inventory valuations and sub-standard collateralization of outstanding pawn loans. In addition, a significant decline in market prices could result in a lower balance of pawn loans outstanding for the Company, as customers would receive lower loan amounts for individual pieces of jewelry or other gold items. For a detailed discussion of the impact of a decline in market prices on wholesale scrap jewelry sales, see “Item 7A. Quantitative and Qualitative Disclosures About Market Risk.”

Risks and uncertainties related to the Company’s foreign operations could negatively impact the Company’s operating results.

As of December 31, 2017, the Company had 999 store locations in Latin America, including 953 in Mexico, 33 in Guatemala and 13 in El Salvador. The Company plans to open additional stores in Latin America, including stores in Colombia beginning in 2018. Doing business in each of these countries, and in Latin America generally, involves increased risks related to geo-political events, political instability, corruption, economic volatility, drug cartel and gang-related violence, social and ethnic unrest including riots and looting, enforcement of property rights, governmental regulations, tax policies, banking policies or restrictions, foreign investment policies, public safety and security, anti-money laundering regulations and import/export regulations among others. As in many developing markets, there are also uncertainties as to how both local law and U.S. federal law is applied, including areas involving commercial transactions and foreign investment. As a result, actions or events could occur in Mexico, Guatemala or El Salvador that are beyond the Company’s control, which could restrict or eliminate the Company’s ability to operate some or all of its locations in these countries or significantly reduce customer traffic, product demand and the expected profitability of such operations.

Changes impacting U.S. international trade and corporate tax provisions may have an adverse effect on the Company’s financial condition and results of operations.

Because international operations increase the complexity of an organization, the Company may face additional administrative costs in managing its business. In addition, most countries typically impose additional burdens on non-domestic companies through the use of local regulations, tariffs, labor controls and other federal or state requirements or legislation. As the Company derives significant revenue, earnings and cash flow from operations in Latin America, primarily in Mexico, there are some inherent risks regarding the overall stability of the trading relationship between Mexico and the U.S. and the burdens imposed thereon by any changes to (or the adoption of new) regulations, tariffs or other federal or state legislation. Specifically, the Company has significant exposure to fluctuations and devaluations of the Mexican peso and the health of the Mexican economy, which, in each case, may be negatively impacted by changes in U.S. trade treaties (such as the North American Free Trade Agreement

(“NAFTA”)) and corporate tax policy, including the imposition of a tax on imports from countries with which the U.S. runs a trade deficit, which includes countries such as Mexico. In particular, the current president has indicated that NAFTA and future import taxes are under scrutiny by his administration and that NAFTA may be renegotiated and new import taxes imposed with respect to imports from Mexico and other countries in which the U.S. runs a trade deficit. Additionally, the reduction of the U.S. corporate tax rate, to a rate which is substantially below the corporate rate in Mexico, could create unforeseen risks. In some cases, there have been negative reactions to the enacted and/or proposed policies as expressed in the media and by politicians in Mexico, which could potentially negatively impact U.S. companies operating in Mexico. While the Company engages in limited cross-border transactions other than those involving scrap jewelry sales, any such changes in regulations, trade treaties, corporate tax policy, import taxes or adverse court or administrative interpretations of the foregoing could adversely and significantly affect the Mexican economy and ultimately the Mexican peso, which could adversely and significantly affect the Company’s financial position and results of the Company’s Latin America operations.

Table of Contents

The Company's allowance for credit losses for credit services and consumer loans may not be sufficient to cover actual credit losses, which could adversely affect its financial condition and operating results.

The Company offers fee-based CSO Programs through which the Company assists customers in applying for short-term extensions of credit from Independent Lenders. The Company's stand-alone consumer loan stores and select pawn stores in the states of Texas and Ohio offer the CSO Programs. When an extension of credit is granted, the Company provides a guarantee to the Independent Lenders for the repayment of the customer's extension of credit. The Company records the estimated fair value of the guarantee liability in accrued liabilities. The Company also has customer loans arising from its consumer loan operations. The Company is required to recognize losses resulting from the inability of credit services and consumer loan customers and/or borrowers to repay such receivables or loans. The Company maintains an allowance for credit losses in an attempt to cover credit losses inherent in its consumer loan operations. Additional credit losses will likely occur in the future and may occur at a rate greater than the Company has experienced to date. The allowance for credit losses is based primarily upon historical credit loss experience, with consideration given to delinquency levels, collateral values, economic conditions and underwriting and collection practices. This evaluation is inherently subjective, as it requires estimates of material factors that may be susceptible to significant change, especially in the event of a change in the governmental regulations that affect the Company's ability to generate new loans or collect outstanding loans. If the Company's assumptions and judgments prove to be incorrect, its current allowance may not be sufficient and adjustments may be necessary to allow for different economic conditions or adverse developments in its loan portfolio, which could adversely affect its financial condition and operating results.

The failure or inability of third-parties who provide products, services or support to the Company to maintain their products, services or support could disrupt Company operations or result in a loss of revenue.

The Company's credit services operations depend, in part, on the willingness and ability of the Independent Lenders to make extensions of credit to its customers. The loss of the relationship with these lenders, and an inability to replace them with new lenders, or the failure of the lenders to fund new extensions of credit and to maintain volumes, quality and consistency in its loan programs could cause the Company to lose customers and substantially decrease the revenue and earnings of the Company's credit services business. In addition, the Company's lending, pawn retail, scrap jewelry and cash management operations are dependent upon the Company's ability to maintain retail banking relationships with commercial banks. Recent actions by federal regulators in the U.S. and other Latin American countries where the Company operates have caused many commercial banks, including certain banks used by the Company, to cease offering such services to the Company and other companies in the Company's industry. The Company also relies significantly on outside vendors to provide services such as financial transaction processing (including foreign exchange), utilities, store security, armored transport, precious metal smelting, data and voice networks, and other information technology products and services. The failure or inability of any of these third-party lenders, financial institutions or vendors to provide such services could limit the Company's ability to grow its business and could increase the Company's costs of doing business, which could adversely affect the Company's operations if the Company is unable to timely replace them with comparable service providers at a comparable cost.

An inability to disburse consumer loan proceeds or collect consumer loan payments through the ACH system would materially adversely affect the Company's consumer loan business.

The Company's consumer loan businesses, including loans made through the CSO Programs, depend all or in part on the ACH system to collect amounts due to the Company by withdrawing funds from its customers' bank accounts when the Company has obtained written authorization to do so from its customers. The Company's ACH transactions are processed by banks, and if these banks cease to provide ACH processing services to the Company, the Company would have to materially alter, or possibly discontinue, some or all of its credit services and consumer loan business if alternative ACH processors are not available.

It was reported that actions by the Department of Justice, the FDIC and certain state regulators appear to be discouraging banks, non-bank providers, and ACH payment processors from providing access to the ACH system (e.g. debiting/crediting consumer accounts) for certain short-term consumer loan providers that they believe are operating illegally. The heightened regulatory scrutiny by the Department of Justice, the FDIC and other state and federal regulators has the potential to cause banks and ACH payment processors to cease doing business with consumer lenders who are operating legally, without regard to whether that lender is complying with applicable laws, simply to avoid the risk of heightened scrutiny or even unwarranted litigation. In addition, the National Automated Clearing House Association (“NACHA”) adopted certain operating rules that govern the use of the ACH system (“Rules”). Changes to the Rules were effective in 2015 and 2016. For example, some of the Rules add more options for which NACHA may begin an initial investigation or enforcement proceeding when an entity originates an excessive number of unauthorized entries. This could result in increased investigations of originator activity, and could ultimately result in fines passed on to those originators. Other portions of the Rules establish acceptable guidelines for certain returns of an originator. Return rates that exceed these guidelines may trigger an inquiry and review process by NACHA and the engagement of an industry review panel to evaluate the facts behind an originator's ACH activity. The evaluation could also result in a Rules violation or a Rules enforcement proceeding. Lastly, the NACHA Rules now formally define the types of entries that may be reinitiated, and those that are prohibited from reinitiation, among other notable changes.

There can be no assurance the Company's access to the ACH system will not be impaired as a result of this heightened scrutiny or the NACHA rule amendments. If this access is impaired, the Company's consumer loan business could be materially adversely affected and the Company may find it difficult or impossible to continue some or all of its credit services and consumer loan business, which could have a material adverse effect on the Company's business, prospects and results of operations and financial condition.

Increased competition from banks, credit unions, internet-based lenders, other short-term consumer lenders, and other entities offering similar financial services, as well as retail businesses that offer products and services offered by the Company, could adversely affect the Company's results of operations.

The Company's principal competitors are other pawnshops, consumer loan companies, internet-based lenders, consumer finance companies, rent-to-own stores, retail finance programs, payroll lenders, banks, credit unions and other financial institutions that serve the Company's primary cost conscious and underbanked customer base. Many other financial institutions or other businesses that do not now offer products or services directed toward the Company's traditional customer base, many of whom may be much larger than the Company, could begin doing so. Significant increases in the number and size of competitors for the Company's business could result in a decrease in the number of consumer loans or pawn transactions that the Company writes, resulting in lower levels of revenue and earnings in these categories. Furthermore, the Company has many competitors to its retail operations, such as retailers of new merchandise, retailers of pre-owned merchandise, other pawnshops, thrift shops, online retailers, online classified advertising sites and online auction sites. Increased competition or aggressive marketing and pricing practices by these competitors could result in decreased revenue, margins and turnover rates in the Company's retail operations. In Mexico, the Company competes directly with certain pawn stores owned by government affiliated or sponsored non-profit foundations. The government could take actions that would harm the Company's ability to compete in the Mexico market.

A sustained deterioration of economic conditions or an economic crisis could reduce demand or profitability for the Company's products and services and increase credit losses which would result in reduced earnings.

The Company's business and financial results may be adversely impacted by sustained unfavorable economic conditions or unfavorable economic conditions associated with a global or regional economic crisis which, in either case, include adverse changes in interest or tax rates, effects of government initiatives to manage economic conditions and increased volatility of commodity markets and foreign currency exchange rates. Specifically, a sustained or rapid deterioration in the economy could cause deterioration in the performance of the Company's loan portfolios and in consumer or market demand for pre-owned merchandise or gold such as that sold in the Company's pawnshops. A sustained deterioration in the economy could reduce the demand and resale value of pre-owned merchandise and reduce the amount that the Company could effectively lend on an item of collateral. Such reductions could adversely affect pawn book balances, pawn redemption rates, inventory balances, inventory mixes, sales volumes and gross profit margins. An economic slowdown also could result in a decrease in loan demand and an increase in loan defaults on consumer loan and credit services products. During such a slowdown, the Company could be required to tighten its underwriting standards, which would reduce consumer loan balances and related revenue and credit services fees, and could face more difficulty in collecting defaulted consumer loans, which could lead to an increase in loan losses. As consumer loans and credit services customers generally have to be employed to qualify for a loan or extension of credit, an increase in the unemployment rate would reduce the number of potential customers.

A decrease in demand for the Company's products and services and the failure of the Company to adapt to such decreases could adversely affect the Company's results of operations.

Although the Company actively manages its products and service offerings to ensure that such offerings meet the needs and preferences of its customer base, the demand for a particular product or service may decrease due to a variety of factors, including many that the Company may not be able to anticipate or respond to in a timely manner, such as the availability and pricing of competing products, changes in customers' financial conditions as a result of changes in unemployment levels, fuel prices or other events, real or perceived loss of consumer confidence or regulatory restrictions that increase or reduce customer access to particular products. Should the Company fail to adapt to a significant change in its customers' demand for, or regulatory access to, its products, the Company's revenue could decrease significantly. Even if the Company does make adaptations, customers may resist or may reject products whose adaptations make them less attractive or less available. In any event, the effect of any product change on the results of the Company's business may not be fully ascertainable until the change has been in effect for some time. In particular, the Company has changed, and will continue to change, some of the consumer loan products and services it offers due to regulatory developments. Demand may also fluctuate by geographic region. The current geographic concentration of the Company's stores creates exposure to local economies and regional downturns (see "—Item 1. Business—Locations and Operations" for store

Table of Contents

concentration by state). As a result, the business is currently more susceptible to regional conditions than the operations of more geographically diversified competitors, and the Company is vulnerable to economic downturns in those regions. Any unforeseen events or circumstances that negatively affect these areas could materially adversely affect the Company’s revenues and profitability.

Changes in the capital markets or the Company’s financial condition could reduce availability of capital on favorable terms, if at all.

The Company has, in the past, accessed the debt capital markets to refinance existing debt obligations and to obtain capital to finance growth. Efficient access to these markets is critical to the Company’s ongoing financial success. However, the Company’s future access to the debt capital markets could become restricted due to a variety of factors, including a deterioration of the Company’s earnings, cash flows, balance sheet quality, regulatory restrictions, fines, or orders or other regulatory action causing reputational harm, or overall business or industry prospects, a significant deterioration in the state of the capital markets, including impacts of inflation or rising interest rates or a negative bias toward the Company’s industry by market participants. Inability to access the credit markets on acceptable terms, if at all, could have a material adverse effect on the Company’s financial condition and ability to fund future growth.

The Company's existing and future levels of indebtedness could adversely affect its financial health, its ability to obtain financing in the future, its ability to react to changes in its business and its ability to fulfill its obligations under such indebtedness.

As of December 31, 2017, including the Company's 5.375% senior notes issued in May 2017 (“Notes”) and the Company’s current credit facility, the Company had outstanding principal indebtedness of $407.0 million and availability of $287.9 million under its credit facility. The Company's level of indebtedness could:

- make it more difficult for it to satisfy its obligations with respect to the Notes and its other indebtedness, resulting in possible defaults on and acceleration of such indebtedness;
- require it to dedicate a substantial portion of its cash flow from operations to the payment of principal and interest on its indebtedness, thereby reducing the availability of such cash flows to fund working capital, acquisitions, new store openings, capital expenditures and other general corporate purposes;
- limit its ability to obtain additional financing for working capital, acquisitions, new store openings, capital expenditures, debt service requirements and other general corporate purposes;
- limit its ability to refinance indebtedness or cause the associated costs of such refinancing to increase;
- restrict the ability of its subsidiaries to pay dividends or otherwise transfer assets to the Company, which could limit its ability to, among other things, make required payments on its debt;
- increase the Company's vulnerability to general adverse economic and industry conditions, including interest rate fluctuations (because a portion of its borrowings are at variable rates of interest); and
- place the Company at a competitive disadvantage compared to other companies with proportionately less debt or comparable debt at more favorable interest rates who, as a result, may be better positioned to withstand economic downturns.

Any of the foregoing impacts of the Company's level of indebtedness could have a material adverse effect on its business, financial condition and results of operations.

The Company’s business depends on the uninterrupted operation of the Company’s facilities, systems and business functions, including its information technology and other business systems and the Company relies on other companies to provide key components of its business systems.

The Company’s business depends highly upon its employees’ ability to perform, in an efficient and uninterrupted fashion, necessary business functions such as operating, managing and securing its retail locations, technical support centers, call centers, security monitoring, treasury and accounting functions and other administrative support functions. Additionally, the Company’s storefront operations depend on the efficiency and reliability of the Company’s point-of-sale and loan management system. A shut-down of or inability to access the facilities in which the Company’s storefront point-of-sale and loan management system and other technology infrastructure are based, such as due to a power outage, a security breach, a failure of one or more of its information technology, telecommunications or other systems, a cyber attack, or sustained or repeated disruptions of such systems could significantly impair its ability to perform such functions on a timely basis and could result in a deterioration of the Company’s ability to perform efficient storefront lending and merchandise disposition activities, provide customer service, perform collection activities, or perform other necessary business functions.

Table of Contents

Furthermore, third parties provide a number of the key components necessary to the Company’s business functions and systems. While the Company has carefully selected these third party vendors and has ongoing programs to review these vendors and assess risk, the Company does not control their actions. Any problems caused by these third parties, including those resulting from disruptions in communication services provided by a vendor, failure of a vendor to handle current or higher volumes, cyber-attacks and security breaches at a vendor, regulatory restrictions, fines, or orders or other regulatory action causing reputational harm, failure of a vendor to provide services for any reason or poor performance of services, could adversely affect the Company’s ability to deliver products and services to its customers and otherwise conduct its business. Financial or operational difficulties of a third-party vendor could also hurt its operations if those difficulties interfere with the vendor's ability to serve the Company. Furthermore, the Company’s vendors could also be sources of operational and information security risk to the Company, including from breakdowns or failures of their own systems or capacity constraints. Replacing these third-party vendors could also create significant delay and expense. Accordingly, use of such third parties creates an unavoidable inherent risk to the Company’s business operations.

Security breaches, cyber attacks or fraudulent activity could result in damage to the Company’s operations or lead to reputational damage and expose the Company to significant liabilities.

A security breach of the Company’s computer systems, or those of the Company’s third party service providers, including as a result of cyber attacks, could interrupt or damage its operations or harm its reputation. In addition, the Company could be subject to liability if confidential customer or employee information is misappropriated from its computer systems. Any compromise of security, including security breaches perpetrated on persons with whom the Company has commercial relationships, that results in the unauthorized access to or use of personal information or the unauthorized access to or use of confidential employee, customer, supplier or Company information, could result in a violation of applicable privacy and other laws, significant legal and financial exposure, damage to the Company’s reputation, and a loss of confidence of the Company’s customers, vendors and others, which could harm its business and operations. Any compromise of security could deter people from entering into transactions that involve transmitting confidential information to the Company’s systems and could harm relationships with the Company’s suppliers, which could have a material adverse effect on the Company’s business. Actual or anticipated cyber attacks may cause the Company to incur substantial costs, including costs to investigate, deploy additional personnel and protection technologies, train employees and engage third-party experts and consultants. Despite the implementation of significant security measures, these systems may still be vulnerable to physical break-ins, computer viruses, programming errors, attacks by third parties or similar disruptive problems. The Company may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber attacks.

Most of the Company’s customers provide personal information in three ways: (1) when conducting a pawn transaction or selling merchandise, (2) during a consumer loan transaction (when personal and bank account information is necessary for approving this transaction), and (3) when conducting a retail purchase whereby a customer’s payment method is via a credit card, debit card or check. While the Company has implemented systems and processes to protect against unauthorized access to or use of such personal information, there is no guarantee that these procedures are adequate to safeguard against all security breaches or misuse of the information. Furthermore, the Company relies on encryption and authentication technology to provide security and authentication to effectively secure transmission of confidential information, including customer bank account, credit card information and other personal information. However, there is no guarantee that these systems or processes will address all of the cyber threats that continue to evolve.

In addition, many of the third parties who provide products, services, or support to the Company could also experience any of the above cyber risks or security breaches, which could impact the Company’s customers and its business and could result in a loss of customers, suppliers or revenue.

Lastly, the regulatory environment related to information security, data collection and use, and privacy is increasingly rigorous, with new and constantly changing requirements applicable to the Company's business, and compliance with those requirements could result in additional costs. These costs associated with information security, such as increased investment in technology, the costs of compliance with privacy laws, and costs incurred to prevent or remediate information security breaches, could be substantial and adversely impact the Company's business.

Judicial or administrative decisions, CFPB rule-making or amendments to the Federal Arbitration Act (the "FAA") could render the arbitration agreements the Company uses illegal or unenforceable.

The Company includes dispute arbitration provisions in many of its customer loan and pawn agreements. These provisions are designed to allow the Company to resolve any customer disputes through individual arbitration rather than in court. The Company's arbitration provisions explicitly provide that all arbitrations will be conducted on an individual and not on a class basis. Thus, the Company's arbitration agreements, if enforced, have the effect of mitigating class and collective action liability. The Company's arbitration agreements do not have any impact on regulatory enforcement proceedings. The Company takes the position that the

Table of Contents

FAA requires enforcement, in accordance with the terms of its arbitration agreements, of class and collective action waivers of the type the Company uses, particularly now that the CFPB’s Arbitration Rule was officially repealed in November 2017.

In the past, however, a number of state and federal circuit courts, including the California and Nevada Supreme Courts, and the National Labor Relations Board concluded that arbitration agreements with class action waivers are “unconscionable” and hence unenforceable, particularly where a small dollar amount is in controversy on an individual basis. In April 2011, however, the U.S. Supreme Court ruled in a 5-4 decision in AT&T Mobility v. Concepcion that the FAA preempts state laws that would otherwise invalidate consumer arbitration agreements with class action waivers. In December 2015, the Supreme Court in a 6-3 decision in DIRECTV, Inc. v. Imburgia upheld DIRECTV’s service agreement that included a binding arbitration provision with a class action waiver, and declared that the arbitration clause at issue was governed by the FAA. The Company’s arbitration agreements differ in some respects from the agreement at issue in Concepcion and DIRECTV and some courts have continued, in the aftermath of Concepcion, to find reasons to rule that arbitration agreements are unenforceable.

In light of conflicting court decisions and potential future CFPB rulemaking, it is possible that the Company’s arbitration agreements will be rendered unenforceable. Additionally, Congress has considered legislation that would generally limit or prohibit mandatory dispute arbitration in consumer contracts, and it has adopted such prohibitions with respect to certain mortgage loans and certain consumer loans to active-duty members of the military and their dependents.

Any judicial or administrative decision, federal legislation or CFPB rule that would impair the Company’s ability to enter into and enforce consumer arbitration agreements with class action waivers could significantly increase the Company’s exposure to class action litigation as well as litigation in plaintiff friendly jurisdictions. Such litigation could have a material adverse effect on the Company’s business, results of operations and financial condition.

The Company is subject to goodwill impairment risk.

At December 31, 2017, the Company had $831.1 million of goodwill on its consolidated balance sheet, all of which represents assets capitalized in connection with the Company’s acquisitions and business combinations. Accounting for goodwill requires significant management estimates and judgment. Management performs periodic reviews of the carrying value of goodwill to determine whether events and circumstances indicate that an impairment in value may have occurred. A variety of factors could cause the carrying value of goodwill to become impaired. A write-down of the carrying value of goodwill could result in a non-cash charge, which could have an adverse effect on the Company’s results of operations.

The Company depends on its senior management and may not be able to retain those employees or recruit additional qualified personnel.

The Company depends on its senior management. The loss of services of any of the members of the Company’s senior management could adversely affect the Company’s business until a suitable replacement can be found. There may be a limited number of persons with the requisite skills to serve in these positions, and the Company cannot ensure that it would be able to identify or employ such qualified personnel on acceptable terms.

The inability to successfully identify attractive acquisition targets, realize administrative and operational synergies and integrate completed acquisitions could adversely affect results.

The Company has historically grown, in part, through strategic acquisitions, including its Merger with Cash America and its Maxi Prenda acquisition, both in 2016, and its acquisition of six stores during 2017. The Company’s strategy is to continue to pursue attractive acquisition opportunities if and when they become available. The success of an acquisition is subject to numerous internal and external factors, such as competition rules, the ability to consolidate information technology and accounting functions, the management of additional sales, administrative, operations and management personnel, overall management of a larger organization, competitive market forces, and general economic factors. It is possible that the integration process could result in unrealized administrative and operational synergies, the loss of key employees, the disruption of ongoing businesses, tax costs or inefficiencies, or inconsistencies in standards, controls, information technology systems, procedures and policies, any of which could adversely affect the Company’s ability to maintain relationships with customers, employees, or other third-parties or the Company’s ability to achieve the anticipated benefits of such acquisitions and could harm its financial performance. Furthermore, future acquisitions may be in jurisdictions in which the Company does not currently operate in, which could make the successful consummation and integration of any such acquisitions more difficult. Failure to successfully integrate an acquisition could have an adverse effect on the Company’s business, results of operations and financial condition and failure to successfully identify attractive acquisition targets and complete such acquisitions could have an adverse effect on the Company’s growth. Additionally, any acquisition has the risk that the Company may not realize a return on the acquisition or the Company’s investment. In particular, the Company continues to integrate the Cash America businesses and stores, which if such integration is not successful, could

Table of Contents

result in the benefits of the Merger not being fully realized and adversely impact the performance of the legacy Cash America stores.

Current and future litigation or regulatory proceedings, both in the U.S. and Latin America, could have a material adverse effect on the Company’s business, prospects, results of operations and financial condition.

The Company or its subsidiaries has been or may be involved in the future, in lawsuits, regulatory or administrative proceedings, examinations, investigations, consent orders, memorandums of understanding or other actions arising in the ordinary course of business, including those related to consumer protection, federal or state wage and hour laws, product liability, unclaimed property, employment, personal injury and other matters that could cause it to incur substantial expenditures and generate adverse publicity. In particular, the Company may be involved in lawsuits or regulatory actions related to employment, marketing, unclaimed property, competition matters, and other matters, including class action lawsuits brought against it for alleged violations of the Fair Labor Standards Act, state wage and hour laws, state or federal advertising laws, consumer protection, lending, unclaimed property and other laws. The consequences of defending proceedings or an adverse ruling in any current or future litigation, judicial or administrative proceeding, including consent orders or memorandums of understanding, could cause the Company to incur substantial legal fees, to have to refund fees and/or interest collected, refund the principal amount of advances, pay treble or other multiple damages, pay monetary penalties, fines, and/or modify or terminate the Company’s operations in particular states or countries. Defense or filing of any lawsuit or administrative proceeding, even if successful, could require substantial time, resources, and attention of the Company’s management and could require the expenditure of significant amounts for legal fees and other related costs. Settlement of lawsuits or administrative proceedings may also result in significant payments and modifications to the Company’s operations. Due to the inherent uncertainties of litigation, administrative proceedings and other claims, the Company cannot accurately predict the ultimate outcome of any such matters.

Adverse court and administrative interpretations of the various laws and regulations under which the Company operates could require the Company to alter the products that it offers or cease doing business in the jurisdiction where the court, state or federal agency interpretation is applicable. The Company is also subject to regulatory proceedings, and the Company could suffer losses from interpretations of state or federal laws in those regulatory proceedings, even if it is not a party to those proceedings. Any of these events could have a material adverse effect on the Company’s business, prospects, results of operations and financial condition and could impair the Company’s ability to continue current operations. Besides regulation specific to consumer lending, which is discussed previously, the Company’s pawn, credit services and consumer loan businesses are subject to other federal, state and local regulations, tax laws and import/export laws, including but not limited to the Dodd-Frank Act, Unfair Deceptive or Abusive Acts and Practices, Federal Truth in Lending Act and Regulation Z adopted thereunder, Fair Debt Collections Practices Act, Military Lending Act, Bank Secrecy Act, Money Laundering Suppression Act of 1994, USA PATRIOT Act, Gramm-Leach-Bliley Act, Equal Credit Opportunity Act, Fair Credit Reporting Act, Electronic Funds Transfer Act, Fair and Accurate Credit Transactions Act, Foreign Corrupt Practices Act and the Brady Handgun Violence Prevention Act. In addition, the Company’s marketing efforts and the representations the Company makes about its products and services are subject to federal and state unfair and deceptive practice statutes, including the Federal Trade Commission Act and analogous state statutes under which the Federal Trade Commission, state attorneys general or private plaintiffs may bring legal actions. If the Company is found to have engaged in an unfair and deceptive practice, it could have a material adverse effect on its business, prospects, results of operations and financial condition.

The Company sells products manufactured by third parties, some of which may be defective. Many such products are manufactured overseas in countries which may utilize quality control standards that vary from those legally allowed or commonly accepted in the U.S., which may increase the Company’s risk that such products may be defective. If any products that the Company sells were to cause physical injury or injury to property, the injured party or parties could bring claims against the Company as the retailer of the products based upon strict product liability. In addition, the Company’s products are subject to the federal Consumer Product Safety Act and the Consumer Product Safety Improvement Act, which empower the Consumer Product Safety Commission to protect consumers from hazardous products. The Consumer Product Safety Commission has the authority to exclude from the market and recall certain consumer products that are found to be hazardous. Similar laws exist in some states and cities in the U.S. If the Company fails to comply with government and industry safety standards, the Company may be subject to claims, lawsuits, product recalls, fines and negative publicity that could have a material adverse effect on its business, prospects, results of operations and financial condition.

Some of the Company’s U.S. stores sell firearms, ammunition and certain related accessories, which may be associated with an increased risk of injury and related lawsuits. The Company may incur losses due to lawsuits relating to its performance of background checks on firearms purchases as mandated by state and federal law or the improper use of firearms sold by the Company, including lawsuits by individuals, municipalities or other organizations attempting to recover damages or costs from firearms retailers relating to the misuse of firearms. Commencement of such lawsuits against the Company could have a material adverse effect on its business, prospects, results of operations and financial condition.

Table of Contents

The Company is also subject to similar applicable laws and regulations in Latin America. For example, Mexico's Anti-Money Laundering Law, which requires monthly reporting of certain transactions (or series of transactions) exceeding monetary limits, and require stricter maintenance of customer identification records and controls, and reporting of all foreign (non-Mexican) customer transactions. Guatemala and El Salvador also have similar reporting requirements. The Company is also subject to the terms and enforcement of the Mexico Privacy Law, which requires companies to protect their customers' personal information, among other things including mandatory disclosures.

Certain state and local governmental entities in Latin America also regulate pawn, other consumer finance and retail businesses through state laws and local zoning and permitting ordinances. State and local agencies, including local police authorities, often have unlimited, broad and discretionary authority to interpret and apply laws, and suspend store operations pending investigation of suspicious pawn transactions and resolution of actual or alleged regulatory, licensing and permitting issues, among other issues.

Compliance with applicable laws and regulations is costly, can affect operating results and may result in operational restrictions. The Company's failure to comply with applicable laws and regulations could subject it to regulatory enforcement actions, result in the assessment against the Company of civil, monetary, criminal or other penalties, require the Company to abandon operations or certain product offerings, refund interest or fees, result in a determination that certain loans are not collectible, result in a revocation of licenses, or cause damage to its reputation, brands and customer relationships, any of which could have a material adverse effect on the Company's business, prospects, results of operations and financial condition.

The sale and ownership of firearms, ammunition and certain related accessories is subject to current and potential regulation, which could have a material adverse effect on the Company's reputation, business, prospects, results of operations and financial condition.

Because the Company sells firearms, ammunition and certain related accessories, the Company is required to comply with federal, state and local laws and regulations pertaining to the purchase, storage, transfer and sale of such products, and the Company is subject to reputational harm if a customer purchases a firearm that is later used in a deadly shooting. These laws and regulations require the Company, among other things, to ensure that each pawn location offering firearms has its FFL, that all purchasers of firearms are subjected to a pre-sale background check, to record the details of each firearm sale on appropriate government-issued forms, to record each receipt or transfer of a firearm and to maintain these records for a specified period of time. The Company is also required to timely respond to traces of firearms by law enforcement agencies. Over the past several years, the purchase, sale and ownership of firearms, ammunition and certain related accessories has been the subject of increased media scrutiny and federal, state and local regulation. The media scrutiny and regulatory efforts are likely to continue in the Company's current markets and other markets into which the Company may expand. If enacted, new laws and regulations could limit the types of licenses, firearms, ammunition and certain related accessories that the Company is permitted to purchase and sell and could impose new restrictions and requirements on the manner in which the Company offers, purchases and sells these products. If the Company fails to comply with existing or newly enacted laws and regulations relating to the purchase and sale of firearms, ammunition and certain related accessories, its licenses to sell or maintain inventory of firearms at its stores may be suspended or revoked, which could have a material adverse effect on the Company's business, prospects, results of operations and financial condition. In addition, new laws and regulations impacting the ownership of firearms and ammunition could cause a decline in the demand for and sales of the Company's products, which could materially adversely impact its revenue and profitability. Complying with increased regulation relating to the sale of firearms, ammunition and certain related accessories could be costly.

The Company is subject to the FCPA and other anti-corruption laws, and the Company's failure to comply with these anti-corruption laws could result in penalties that could have a material adverse effect on its business, results of operations and financial condition.

The Company is subject to the FCPA, which generally prohibits companies and their agents or intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business and/or other benefits. Although the Company has policies and procedures designed to ensure that it, its employees, agents, and intermediaries comply with the FCPA and other anti-corruption laws, there can be no assurance that such policies or procedures will work effectively all of the time or protect the Company against liability for actions taken by its employees, agents, and intermediaries with respect to its business or any businesses that it may acquire. In the event the Company believes, or has reason to believe, its employees, agents, or intermediaries have or may have violated applicable anti-corruption laws, including the FCPA, the Company may be required to investigate or have a third party investigate the relevant facts and circumstances, which can be expensive and require significant time and attention from senior management. The Company’s continued operation and expansion outside the U.S., especially in Latin America, could increase the risk, perceived or otherwise, of such violations in the future. If the Company is found to have violated the FCPA or other laws governing the conduct of business with government entities (including local laws), the Company may be subject to criminal and civil penalties and other remedial measures, which could have an adverse effect on its business, results of operations, and financial condition. Investigation of any potential or perceived violations of the FCPA or other anti-corruption laws by U.S.

Table of Contents

or foreign authorities could harm the Company's reputation and could have a material adverse effect on its business, results of operations and financial condition.

Failure to maintain certain criteria required by state and local regulatory bodies could result in fines or the loss of the Company's licenses to conduct business.

Most states and many local jurisdictions both in the U.S. and in Latin America in which the Company operates, as well as the federal governments in Latin America, require registration and licenses to conduct the Company's business. These states or their respective regulatory bodies have established criteria the Company must meet in order to obtain, maintain, and renew those licenses. For example, many of the states in which the Company operates require it to meet or exceed certain operational, advertising, disclosure, collection, and recordkeeping requirements and to maintain a minimum amount of net worth or equity. From time to time, the Company is subject to audits in these states to ensure it is meeting the applicable requirements to maintain these licenses. Failure to meet these requirements could result in various fines and penalties or store closures, which could include temporary suspension of operations, the revocation of existing licenses or the denial of new and renewal licensing requests. The Company cannot guarantee future license applications or renewals will be granted. If the Company were to lose any of its licenses to conduct its business, it could result in the temporary or permanent closure of stores, which could adversely affect the Company's business, results of operations and cash flows.

The complexity of the political and regulatory environment in which the Company operates and the related cost of compliance are both increasing due to the changing political landscape, additional legal and regulatory requirements, the Company's ongoing expansion into new markets and the fact that foreign laws occasionally are vague or conflict with domestic laws. In addition to potential damage to the Company's reputation and brand, failure to comply with applicable federal, state and local laws and regulations such as those outlined above may result in the Company being subject to claims, lawsuits, fines and adverse publicity that could have a material adverse effect on its business, results of operations and financial condition.

Adverse real estate market fluctuations and/or the inability to renew and extend store operating leases could affect the Company's profits.

The Company leases most of its locations. A significant rise in real estate prices or real property taxes could result in an increase in store lease costs as the Company opens new locations and renews leases for existing locations, thereby negatively impacting the Company's results of operations. The Company also owns certain developed and undeveloped real estate, which could be impacted by adverse market fluctuations. In addition, the inability of the Company to renew, extend or replace expiring store leases could have an adverse effect on the Company's results of operations.

The Company's lending business is somewhat seasonal, which causes the Company's revenues and operating cash flows to fluctuate and may adversely affect the Company's ability to service its debt obligations.

The Company's U.S. lending business typically experiences reduced demand in the first and second quarters as a result of its customers' receipt of federal tax refund checks typically in February of each year. Demand for the Company's U.S. lending services is generally greatest during the third and fourth quarters. Also, retail sales are seasonally higher in the fourth quarter associated with holiday shopping. Typically, the Company experiences seasonal growth of service fees in the third and fourth quarter of each year due to loan balance growth. Service fees generally decline in the first and second quarter of each year after the heavy repayment period of pawn loans in Latin America associated with statutory bonuses received by customers in the fourth quarter. This seasonality requires the Company to manage its cash flows over the course of the year. If a governmental authority were to pursue economic stimulus actions or issue additional tax refunds, tax credits or other statutory payments at other times during the year, such actions could have a material adverse effect on the Company’s business, prospects, results of operations and financial condition during these periods. If the Company’s revenues were to fall substantially below what it would normally expect during certain periods, the Company’s annual financial results and its ability to service its debt obligations could be adversely affected.

Inclement weather, natural disasters or health epidemics can adversely impact the Company’s operating results.

The occurrence of weather events such as rain, cold weather, snow, wind, storms, hurricanes, earthquakes, volcanic eruptions, or other natural disasters or health epidemics in the Company’s markets could adversely affect consumer traffic, retail sales and loan origination or collection activities at the Company’s stores and have a material adverse effect on the Company’s results of operations. In addition, the Company may incur property, casualty or other losses not covered by insurance. The Company maintains a program of insurance coverage for various types of property, casualty and other risks. The types and amounts of insurance that the Company obtains vary from time to time, depending on availability, cost and management’s decisions with respect to risk retention. The Company’s insurance policies are subject to deductibles and exclusions that result in the Company’s retention of a level of risk on a self-insurance basis. Losses not covered by insurance could be substantial and may increase the Company’s expenses, which could harm the Company’s results of operations and financial condition.

The Company’s growth is subject to external factors and other circumstances over which it has limited control or that are beyond its control. These factors and circumstances could adversely affect the Company’s ability to grow through the opening of new store locations.

The success of the Company’s expansion strategy is subject to numerous external factors, such as the availability of sites with favorable customer demographics, limited competition, acceptable regulatory restrictions and landscape, political or community acceptance, suitable lease terms, its ability to attract, train and retain qualified associates and management personnel, the ability to obtain required government permits and licenses and the ability to identify attractive acquisition targets and complete such acquisitions. Some of these factors are beyond the Company’s control. The failure to execute the Company’s expansion strategy would adversely affect the Company’s ability to expand its business and could materially adversely affect its business, prospects, results of operations and financial condition.

The Company’s reported results require the judgment of management, and the Company could be subject to risks associated with these judgments or could be adversely affected by the implementation of new, or changes in the interpretation of existing, accounting principles or financial reporting requirements.

The preparation of the Company’s financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. In addition, the Company prepares its financial statements in accordance with generally accepted accounting principles (“GAAP”), and GAAP and its interpretations are subject to change over time. If new rules or interpretations of existing rules require the Company to change its financial reporting, the Company’s results of operations and financial condition could be materially adversely affected, and the Company could be required to restate historical financial reporting.

Unexpected changes in both domestic and foreign tax rates could negatively impact the Company’s operating results.

While the Company expects the recently enacted significant tax reform in the United States to have a positive impact on the Company’s net income, the Company is continuing to evaluate the impact of the tax reform on the Company’s business and such impact is uncertain. Furthermore, the Company’s financial results may be negatively impacted should tax rates in the U.S. and in Latin America be increased in the future or otherwise adversely affected by changes in allowable expense deductions, or as a result of the imposition of new withholding requirements on repatriation of foreign earnings.
Certain tax positions taken by the Company require the judgment of management and could be challenged by federal taxing authorities in the U.S. and Latin America.
Management’s judgment is required in determining the provision for income taxes, the deferred tax assets and liabilities and any valuation allowance recorded against deferred tax assets. Management’s judgment is also required in evaluating whether tax benefits meet the more-likely-than-not threshold for recognition under ASC 740-10-25, Income Taxes.

If the Company is unable to protect its intellectual property rights, its ability to compete could be negatively impacted.

The success of the Company’s business depends to a certain extent upon the value associated with its intellectual property rights, including its proprietary, internally developed point-of-sale and loan management system that is in use in all of its stores. The Company uses the trademarks “FirstCash,” “First Cash,” “First Cash Pawn,” “Cash America,” “Cashland,” “First Cash Empeño y Joyeria,” “Cash Ya,” “Cash & Go,” “CA,” “Presta Max,” “Realice Empeños,” “Empeños

Mexicanos" and "Maxi Prenda" along with numerous other trade names as described herein. The Company relies on a combination of copyright, trade secret, trademark, and other rights, as well as confidentiality procedures and contractual provisions to protect its proprietary technology, processes and other intellectual property. While the Company intends to vigorously protect its trademarks and proprietary point of sale systems against infringement, it may not be successful. In addition, the laws of certain foreign countries may not protect intellectual property rights to the same extent as the laws of the U.S. The costs required to protect the Company's intellectual property rights and trademarks could be substantial.

Table of Contents

Because the Company maintains a significant supply of cash, loan collateral and inventories in its stores, the Company may be subject to employee and third-party robberies, riots, looting, burglaries and thefts. The Company also may be subject to liability as a result of crimes at its stores.

The Company's business requires it to maintain a significant supply of cash, loan collateral and inventories in most of its stores. As a result, the Company is subject to the risk of riots, looting, robberies, burglaries and thefts. Although the Company has implemented various programs in an effort to reduce these risks, maintains insurance coverage for riots, looting, robberies, burglaries and thefts and utilizes various security measures at its facilities, there can be no assurance that riots, looting, robberies, burglaries and thefts will not occur. The extent of the Company's cash, loan collateral and inventory losses or shortages could increase as it expands the nature and scope of its products and services. Riots, looting, robberies, burglaries and thefts could lead to losses and shortages and could adversely affect the Company's business, prospects, results of operations and financial condition. It is also possible that violent crimes such as riots, assaults and armed robberies may be committed at the Company's stores. The Company could experience liability or adverse publicity arising from such crimes. For example, the Company may be liable if an employee, customer, guard or bystander suffers bodily injury or other harm. Any such event may have a material adverse effect on the Company's business, prospects, results of operations and financial condition.

If the Merger does not qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code, the former Cash America shareholders may be required to pay substantial U.S. federal income taxes.

Although the Company intends that the Merger qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code, it is possible that the Internal Revenue Service ("IRS") may assert that the Merger fails to qualify as such. If the IRS were to be successful in any such contention or if for any other reason the Merger were to fail to qualify as a "reorganization," each former Cash America shareholder would recognize a gain or loss with respect to all such shareholder's shares of Cash America's common stock based on the difference between (i) the former Cash America shareholders' tax basis in such shares and (ii) the aggregate cash and the fair market value of the Company common stock received.

The CFPB issued a consent order with respect to Cash America, and any noncompliance could have a material adverse effect.

On November 20, 2013, Cash America consented to the issuance of a consent order by the CFPB pursuant to which it agreed, without admitting or denying any of the facts or conclusions made by the CFPB from its 2012 review of Cash America's consumer loan business, including self-disclosed issues, to pay a civil money penalty of $5.0 million and to set aside $8.0 million for a period of 180 days to fund any further payments to eligible Ohio customers (the "Ohio Reimbursement Program"), collectively, the "Consent Order." The Company likely remains subject to certain obligations of the Consent Order, including ensuring compliance with federal consumer financial laws and consumer compliance management system. However, certain restrictions and obligations expired on November 20, 2016. In addition, Cash America's former subsidiary, Enova International, Inc. ("Enova"), also remains subject to the Consent Order because it was part of Cash America when it was issued. The Company cannot assure that Enova has complied or will continue to comply with the Consent Order now that it is a separate publicly traded company. If Enova does not comply with the Consent Order, the Company could be held liable for Enova's noncompliance. Any noncompliance with the Consent Order, continuing obligations or similar orders or agreements from other regulators could lead to further regulatory penalties and could have a material adverse effect on the Company's business.

The Company could be responsible for U.S. federal and state income tax liabilities that relate to the spin-off by Cash America of Enova, in November 2014 (the "Enova Spin-off").

The Enova Spin-off was conditioned on the receipt of an opinion of tax counsel that the Enova Spin-off will be treated as a transaction that is tax-free for U.S. federal income tax purposes under Section 355(a) of the Internal Revenue Code. An opinion of tax counsel is not binding on the IRS. Accordingly, the IRS may reach conclusions with respect to the Enova Spin-off that are different from the conclusions reached in the opinion. The opinion was based on certain factual statements and representations made by Cash America, which, if incomplete or untrue in any material respect, could alter tax counsel's conclusions. In addition, Cash America received a private letter ruling from the IRS to the effect that the then retention by Cash America of up to 20% of Enova's stock will not be in pursuant to a plan having as one of its principal purposes the avoidance of U.S. federal income tax within the meaning of Section 355(a)(1)(D)(ii) of the Internal Revenue Code. The private letter ruling does not address any other tax issues related to the Enova Spin-off. Notwithstanding the private letter ruling, the IRS could determine on audit that the retention of the Enova stock was in pursuant to a plan having as one of its principal purposes the avoidance of U.S. federal income tax if it determines that any of the facts, assumptions, representations or undertakings that Cash America or Enova have made or provided to the IRS are not correct. If the retention is in pursuant to a plan having as one of its principal purposes the avoidance of U.S. federal income tax, then the distribution could ultimately be determined to be taxable, and the Company would recognize a gain in an amount equal to the excess of the fair market value of shares of Enova's common stock distributed to Cash America's shareholders on the distribution date over Cash America's tax basis in such shares of Enova's common stock. In addition, Cash

Table of Contents

America agreed to certain actions in connection with the private letter ruling, such as disposing of the Enova common stock by September 15, 2017. All of the shares held by the Company as of the Merger date were sold in open market transactions at an average price of $10.40 per share, with the final sales completed on December 6, 2016.

While the Company believes that the Merger did not and will not adversely impact the tax-free status of the Enova Spin-off, it is possible that the IRS could assert that the Merger should result in the Enova Spin-off being treated as a taxable transaction for U.S. federal income tax purposes. If the IRS were to be successful in any contention that the Enova Spin-off should be treated as a taxable transaction or, if for any other reason, the Company were to take actions that would cause the Enova Spin-off to be treated as a taxable transaction, the Company could be subject to significant tax liabilities. In addition, in accordance with a tax matters agreement entered into between Cash America and Enova in connection with the Enova Spin-off, the Company could be subject to liability for any tax liabilities incurred by Enova or Enova's shareholders if the Merger were to cause the Enova Spin-off to be deemed taxable.

In connection with the Enova Spin-off, Enova and Cash America agreed to indemnify each other for certain liabilities; if the Company is required to act on these indemnities to Enova, it may need to divert cash to meet those obligations, and Enova's indemnity could be insufficient or Enova could be unable to satisfy its indemnification obligations.

Pursuant to a separation and distribution agreement and certain other agreements that Cash America entered into with Enova at the time of the Enova Spin-off, including a tax matters agreement, Enova agreed to indemnify Cash America for certain liabilities that could be related to tax, regulatory, litigation or other liabilities, and Cash America agreed to indemnify Enova for certain similar liabilities, in each case for uncapped amounts. In addition, the tax matters agreement prohibits Enova from taking any action or failing to take any action that could reasonably be expected to cause the Enova Spin-off to be taxable or to jeopardize the conclusions of the private letter ruling obtained in connection with the Enova Spin-off or opinions of counsel received by Cash America or Enova. Indemnities that Cash America may be required to provide Enova are not subject to any cap, may be significant and could negatively impact the Company's results of operations and financial condition, particularly indemnities relating to actions that could impact the tax-free nature of the distribution. Third parties could also seek to hold the Company responsible for any of the liabilities that Enova has agreed to assume. Further, the indemnity from Enova could be insufficient to protect the Company against the full amount of such liabilities, or Enova may be unable to fully satisfy its indemnification obligations. Moreover, even if the Company ultimately succeeds in recovering from Enova any amounts for which it is held liable, the Company may be temporarily required to bear these losses and could suffer reputational risks if the losses are related to regulatory, litigation or other matters.

A discussion of certain market risks is covered in "Item 7A. Quantitative and Qualitative Disclosures About Market Risk."

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2017, the Company owned the real estate and buildings for 67 of its pawn stores and owned five other parcels of real estate, including the Company's corporate headquarters building in Fort Worth, Texas. The Company's strategy is generally to lease, rather than purchase, space for its pawnshop and consumer loan locations, unless the Company finds what it believes is a superior location at an attractive price. As of December 31, 2017, the Company leased 2,072 store locations that were open or were in the process of opening. Leased facilities are generally leased for a term of three to five years with one or more options to renew. A majority of the store leases can be terminated early upon an adverse change in law which negatively affects the store's profitability. The Company's leases expire on dates ranging between 2018 and 2045. All store leases provide for specified periodic rental payments ranging from approximately $1,000 to $25,000 per month as of December 31, 2017. For more information about the Company's pawn store locations, see "—Item 1. Business—Locations and Operations."

The following table details material corporate locations leased by the Company (dollars in thousands):

Description	Location	Square Footage	Lease Expiration Date	Monthly Rental Payment
Administrative operations	Monterrey, Mexico	15,000	December 31, 2019	$ 14
Administrative operations	Fort Worth, Texas	24,000	July 31, 2021	$ 10
Administrative operations	Cincinnati, Ohio	10,000	April 30, 2019	$ 10

Most leases require the Company to maintain the property and pay the cost of insurance and property taxes. The Company believes termination of any particular lease would not have a material adverse effect on the Company's operations. The Company believes the facilities currently owned and leased by it as pawn stores and consumer loan stores are suitable for such purposes. The Company considers its equipment, furniture and fixtures to be in good condition.

Item 3. Legal Proceedings

The Company is a defendant in certain routine litigation matters encountered in the ordinary course of its business. Certain of these matters are covered to an extent by insurance. In the opinion of management, the resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or liquidity.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

General Market Information

The Company's common stock is quoted on the New York Stock Exchange ("NYSE") under the symbol "FCFS." In connection with the closing of the Merger, shares of First Cash ceased trading on the NASDAQ Global Select Market at the close of trading on September 1, 2016 and began trading on the NYSE under the stock symbol "FCFS" on September 2, 2016.

The following table sets forth the quarterly high and low sales prices per share for the common stock during fiscal 2017 and 2016, as reported by the NYSE and NASDAQ Global Select Market, and cash dividends declared and paid per share during fiscal 2017 and 2016:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2017				
High	$ 49.60	$ 59.35	$ 63.60	$ 68.60
Low	48.10	58.50	62.90	67.75
Cash dividends declared and paid	0.19	0.19	0.19	0.20
2016				
High	$ 46.72	$ 53.67	$ 53.95	$ 53.25
Low	29.64	43.11	44.94	44.60
Cash dividends declared and paid	0.125	0.125	0.125	0.19

On February 12, 2018, there were approximately 292 stockholders of record of the Company's common stock.

The dividend and earnings retention policies are reviewed by the Board of Directors of the Company from time to time in light of, among other things, the Company's earnings, cash flows, financial position and debt covenant restrictions. In January 2018, the Company's Board of Directors approved a plan to increase the annual dividend to

$0.88 per share, or $0.22 per share quarterly, beginning in the first quarter of 2018. The declared $0.22 first quarter cash dividend on common shares outstanding, or an aggregate of $10.3 million based on December 31, 2017 share counts, will be paid on February 28, 2018 to stockholders of record as of February 14, 2018.

Issuer Purchases of Equity Securities

In January 2015, the Company’s Board of Directors authorized a common stock repurchase program for up to 2,000,000 shares of the Company’s outstanding common stock. During the first quarter of 2017, the Company repurchased 228,000 shares of its common stock at an aggregate cost of $10.0 million and an average cost per share of $43.94. In May 2017, the Company’s Board of Directors authorized a new common stock repurchase program for up to $100.0 million of the Company’s outstanding common stock. The new share repurchase program replaced the Company’s prior share repurchase plan, which was terminated in May 2017.

Table of Contents

Under the May 2017 stock repurchase program, the Company has repurchased 1,388,000 shares of its common stock at an aggregate cost of $83.0 million and an average cost per share of $59.80 and $17.0 million remained available for repurchases as of December 31, 2017. On January 31, 2018, the Company completed the May 2017 stock repurchase program after repurchasing 239,000 shares of common stock at an aggregate cost of $17.0 million. The Company did not repurchase any of its shares in 2016 as it suspended its share repurchase program in 2016 due to the Merger.

In October 2017, the Company's Board of Directors authorized an additional common stock repurchase program for up to $100.0 million of the Company's outstanding common stock, which became effective on January 31, 2018 upon completion of the May 2017 stock repurchase program. The Company intends to continue repurchases under its repurchase program in 2018 through open market transactions under trading plans in accordance with Rule 10b5-1 and Rule 10b-18 under the Exchange Act of 1934, as amended, subject to a variety of factors, including, but not limited to, the level of cash balances, credit availability, debt covenant restrictions, general business conditions, regulatory requirements, the market price of the Company's stock, the dividend policy and the availability of alternative investment opportunities.

The following table provides the information with respect to purchases made by the Company of shares of its common stock during each month the programs were in effect during fiscal 2017 (in thousands, except per share amounts):

	Total Number Of Shares Purchased	Average Price Paid Per Share	Total Number Of Shares Purchased As Part Of Publicly Announced Plans	Maximum Number Of Shares That May Yet Be Purchased Under The Plans	Approximate Dollar Value Of Shares That May Yet Be Purchased Under The Plans
January 1 through January 31, 2017	—	$ —	—	1,148	(2)
February 1 through February 28, 2017	228	43.94	228	920	(2)
March 1 through March 31, 2017	—	—	—	920	(2)
April 1 through April 30, 2017	—	—	—	920	(2)
May 1 through May 31, 2017	—	—	—	(1)	$ 100,000
June 1 through June 30, 2017	290	56.06	290	(1)	83,731
July 1 through July 31, 2017	292	58.21	292	(1)	66,733
August 1 through August 31, 2017	269	58.53	269	(1)	50,989
September 1 through September 30, 2017	103	58.22	103	(1)	44,970
October 1 through October 31, 2017	161	60.30	161	(1)	35,267
November 1 through November 30, 2017	70	66.03	70	(1)	30,658
December 1 through December 31, 2017	203	67.37	203	(1)	16,991
Total	1,616	$ 57.56	1,616		

(1) The 2,000,000 share repurchase program was terminated in May 2017.

(2) The $100.0 million repurchase program was initiated in May 2017.

Table of Contents

Performance Graph

The graph set forth below compares the cumulative total stockholder return on the common stock of the Company for the period from December 31, 2012 through December 31, 2017, with the cumulative total return on the S&P 600 Small Cap Index and the Russell 2000 Index, representing broad-based equity market indexes, and the S&P 600 Small Cap Consumer Finance Index and the S&P 600 Small Cap Specialty Stores Index, representing industry-based indexes, over the same period (assuming the investment of $100 on December 31, 2012 and assuming the reinvestment of all dividends on the date paid). The Company has previously included a peer group index, however believes the comparison to the above mentioned industry-based indexes is a more applicable comparison. As a result, the performance graph below no longer includes a peer group index. Note that historic performance is not necessarily indicative of future performance.

Item 6. Selected Financial Data

The information below should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Company’s consolidated financial statements and related notes thereto in “Item 8. Financial Statements and Supplementary Data.” The information below is derived from and qualified by reference to the Company’s audited financial statements for each of the five years ended December 31, 2017.

Table of Contents

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(in thousands, except per share amounts and location counts)				
Income Statement Data [(1)]:					
Revenue:					
Retail merchandise sales	$1,051,099	$669,131	$449,296	$428,182	$367,187
Pawn loan fees	510,905	312,757	195,448	199,357	181,555
Wholesale scrap jewelry sales	140,842	62,638	32,055	48,589	68,325
Consumer loan and credit services fees	76,976	43,851	27,803	36,749	43,781
Total revenue	1,779,822	1,088,377	704,602	712,877	660,848
Cost of revenue:					
Cost of retail merchandise sold	679,703	418,556	278,631	261,673	221,361
Cost of wholesale scrap jewelry sold	132,794	53,025	27,628	41,044	58,545
Consumer loan and credit services loss provision	19,819	11,993	7,159	9,287	11,368
Total cost of revenue	832,316	483,574	313,418	312,004	291,274
Net revenue	947,506	604,803	391,184	400,873	369,574
Expenses and other income:					
Store operating expenses	551,874	328,014	207,572	198,986	181,321
Administrative expenses	122,473	96,537	51,883	53,588	47,180
Depreciation and amortization	55,233	31,865	17,939	17,476	15,361
Interest expense, net	22,438	19,569	15,321	12,845	3,170
Merger and other acquisition expenses	9,062	36,670	2,875	998	2,350
Loss on extinguishment of debt	14,114	—	—	—	—
Net gain on sale of common stock of Enova	—	(1,299)	—	—	—
Goodwill impairment - U.S. consumer loan operations	—	—	7,913	—	—
Total expenses and other income	775,194	511,356	303,503	283,893	249,382
Income from continuing operations before income taxes	172,312	93,447	87,681	116,980	120,192
Provision for income taxes	28,420	33,320	26,971	31,542	35,713
Income from continuing operations	143,892	60,127	60,710	85,438	84,479
Loss from discontinued operations, net of tax	—	—	—	(272)	(633)
Net income	$143,892	$60,127	$60,710	$85,166	$83,846
Dividends declared per common share	$0.77	$0.565	$—	$—	$—

Table of Contents

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Income Statement Data (Continued) [(1)]:					
Net income per share:					
Basic:					
Income from continuing operations	$3.01	$1.72	$2.16	$2.98	$2.91
Net income	3.01	1.72	2.16	2.97	2.89
Diluted:					
Income from continuing operations	3.00	1.72	2.14	2.94	2.86
Net income	3.00	1.72	2.14	2.93	2.84
Balance Sheet Data:					
Inventories	$276,771	$330,683	$93,458	$91,088	$77,793
Pawn loans	344,748	350,506	117,601	118,536	115,234
Net working capital	721,626	748,507	279,259	258,194	236,417
Total assets	2,062,784	2,145,203	752,895	711,880	660,999
Long-term liabilities	466,880	551,589	275,338	234,880	201,889
Total liabilities	587,451	695,217	321,513	277,439	250,650
Stockholders’ equity	1,475,333	1,449,986	431,382	434,441	410,349
Statement of Cash Flows Data:					
Net cash flows provided by (used in):					
Operating activities	$220,357	$96,854	$92,749	$97,679	$106,718
Investing activities	1,397	(25,967)	(71,676)	(85,366)	(140,726)
Financing activities	(197,506)	(58,713)	9,127	(9,098)	54,644
Location Counts:					
Pawn stores	2,039	2,012	1,005	912	821
Credit services/consumer loan stores	72	73	70	93	85
	2,111	2,085	1,075	1,005	906

(1) See “Management’s Discussion and Analysis of Financial Condition and Results of Operations —Non-GAAP Financial Information—Adjusted Net Income and Adjusted Net Income Per Share” for additional information about certain 2017, 2016 and 2015 income and expense items that affected the Company’s consolidated income from operations, income before income taxes, net income and net income per share.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

General

On September 1, 2016, the Company completed its Merger with Cash America, whereby Cash America merged with and into a wholly owned subsidiary of the Company. The accompanying audited results of operations for the year ended December 31, 2017 includes the results of operations for Cash America while the comparable prior-year period includes the results of operations for Cash America for the period September 2, 2016 to December 31, 2016, affecting comparability of fiscal 2017 and 2016 amounts. See Note 3 of Notes to Consolidated Financial Statements for additional information about the Merger.

The Company is a leading operator of retail-based pawn stores with over 2,100 store locations in the U.S. and Latin America. The Company’s pawn stores generate significant retail sales primarily from the merchandise acquired through collateral forfeitures and over-the-counter purchases from customers. The stores also offer pawn loans to help customers meet small short-term cash needs. Personal property, such as consumer electronics, jewelry, power tools, household appliances, sporting goods and musical instruments is pledged as collateral for the pawn loans and held by the Company over the term of the loan plus a stated grace

Table of Contents

period. In addition, some of the Company's pawn stores offer consumer loans or credit services products. The Company's strategy is to focus on growing its retail-based pawn operations in the U.S. and Latin America through new store openings and strategic acquisition opportunities as they arise. Pawn operations accounted for approximately 96% of the Company's consolidated revenue during fiscal 2017 and 2016.

The Company organizes its operations into two reportable segments. The U.S. operations segment consists of all pawn and consumer loan operations in the U.S. and the Latin America operations segment consists of all pawn and consumer loan operations in Latin America, which currently includes operations in Mexico, Guatemala and El Salvador.

The Company recognizes pawn loan fee revenue on a constant-yield basis over the life of the pawn loan for all pawn loans of which the Company deems collection to be probable based on historical redemption statistics. If a pawn loan is not repaid prior to the expiration of the loan term, including any extension or grace period, if applicable, the property is forfeited to the Company and transferred to inventory at a value equal to the principal amount of the loan, exclusive of accrued pawn fee revenue. The Company records merchandise sales revenue at the time of the sale and presents merchandise sales net of any sales or value-added taxes collected. The Company does not provide direct financing to customers for the purchase of its merchandise, but does permit its customers to purchase merchandise on an interest-free layaway plan. Should the customer fail to make a required payment pursuant to a layaway plan, the previous payments are typically forfeited to the Company. Interim payments from customers on layaway sales are recorded as deferred revenue and subsequently recorded as income during the period in which final payment is received or when previous payments are forfeited to the Company. Some jewelry is processed at third-party facilities and the precious metal and diamond content is sold at either prevailing market commodity prices or a previously agreed upon price with a commodity buyer. The Company records revenue from these wholesale scrap jewelry transactions when a price has been agreed upon and the Company ships the commodity to the buyer.

The Company operates a small number of stand-alone consumer finance stores in the U.S. and Mexico. These stores provide consumer financial services products including credit services, consumer loans and check cashing. In addition, 362 of the Company's pawn stores also offer credit services and/or consumer loans as an ancillary product, which products have been deemphasized by the Company in recent years due to regulatory constraints and increased internet based competition for such products. Beginning in fiscal 2018, the Company no longer offers fee-based check cashing services in its non-franchised stores. Consumer loan and credit services revenue accounted for approximately 4% of consolidated revenue for fiscal 2017 and 2016.

The Company recognizes service fee income on consumer loan transactions on a constant-yield basis over the life of the loan and recognizes credit services fees ratably over the life of the extension of credit made by the Independent Lenders. Changes in the valuation reserve on consumer loans and credit services transactions are charged or credited to the consumer loan credit loss provision. The credit loss provision associated with the Company's CSO Programs and consumer loans is based primarily upon historical credit loss experience, with consideration given to recent credit loss trends, delinquency rates, economic conditions and management's expectations of future credit losses.

Stores included in the same-store calculations presented in this annual report are those stores that were opened or acquired prior to the beginning of the prior-year comparative fiscal period and remained open through the end of the reporting period. Also included are stores that were relocated during the year within a specified distance serving the same market where there is not a significant change in store size and where there is not a significant overlap or gap in timing between the opening of the new store and the closing of the existing store. Unless otherwise noted, same-store calculations exclude the results of the merged Cash America stores. Legacy Cash America same-store calculations refer to Cash America stores that were opened prior to the beginning of the prior-year comparative fiscal period (although not then owned by the Company) and remained open through the end of the reporting period.

Operating expenses consist of all items directly related to the operation of the Company’s stores, including salaries and related payroll costs, rent, utilities, facilities maintenance, advertising, property taxes, licenses, supplies and security. Administrative expenses consist of items relating to the operation of the corporate offices, including the compensation and benefit costs of corporate management, area supervisors and other operations management personnel, collection operations and personnel, accounting and administrative costs, information technology costs, liability and casualty insurance, outside legal and accounting fees and stockholder-related expenses. Merger and other acquisition expenses primarily include incremental costs directly associated with the Merger and integration of Cash America, including professional fees, legal expenses, severance, retention and other employee-related costs, accelerated vesting of certain equity compensation awards, contract breakage costs and costs related to consolidation of technology systems and corporate facilities.

Table of Contents

The following table details income statement items as a percent of total revenue and other operating metrics:

	Year Ended December 31,		
	2017	2016	2015
Revenue:			
Retail merchandise sales	59.1%	61.5 %	63.8%
Pawn loan fees	28.7	28.7	27.7
Wholesale scrap jewelry sales	7.9	5.8	4.5
Consumer loan and credit services fees	4.3	4.0	4.0
Cost of revenue:			
Cost of retail merchandise sold	38.2	38.4	39.6
Cost of wholesale scrap jewelry sold	7.5	4.9	3.9
Consumer loan and credit services loss provision	1.1	1.1	1.0
Net revenue	53.2	55.6	55.5
Expenses and other income:			
Store operating expenses	31.0	30.1	29.5
Administrative expenses	6.9	8.9	7.4
Depreciation and amortization	3.1	2.9	2.5
Interest expense, net	1.2	1.8	2.2
Merger and other acquisition expenses	0.5	3.4	0.4
Loss on extinguishment of debt	0.8	—	—
Net gain on sale of common stock of Enova	—	(0.1)	—
Goodwill impairment - U.S. consumer loan operations	—	—	1.1
Income before income taxes	9.7	8.6	12.4
Provision for income taxes	1.6	3.1	3.8
Net income	8.1	5.5	8.6
Retail merchandise sales gross profit margin	35.3%	37.4 %	38.0%
Pre-tax operating margin [(1)]	20.3	23.2	23.9

[(1)] Pre-tax operating profit is an amount equal to net revenues less store operating expenses less store depreciation expense.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, related revenue and expenses, and disclosure of gain and loss contingencies at the date of the financial statements. Such estimates, assumptions and judgments are subject to a number of risks and uncertainties, which may cause actual results to differ materially from the Company's estimates. The significant accounting policies that the Company believes are the most critical to aid in fully understanding and evaluating its reported financial results include the following:

Customer loans and revenue recognition - Receivables on the balance sheet consist of pawn loans and consumer loans. Pawn loans are collateralized by pledged tangible personal property, which the Company holds during the term of the loan plus a stated grace period. The Company accrues pawn loan fee revenue on a constant-yield basis over the life of the pawn for all pawns for which the Company deems collection to be probable based on historical pawn redemption statistics. The typical pawn loan term is generally 30 days plus an additional grace period of 14 to 90 days depending on geographical markets and local regulations. Pawn loans may be either paid in full with accrued pawn loan fees and service charges or, where permitted by law, may be renewed

Table of Contents

or extended by the customer's payment of accrued pawn loan fees and service charges. If the pawn is not repaid upon expiration of the grace period, the principal amount loaned becomes the carrying value of the forfeited collateral, which is typically recovered through sales of the forfeited items at prices well above the carrying value.

The Company's pawn merchandise sales are primarily retail sales to the general public in its pawn stores. The Company acquires pawn merchandise inventory through forfeited pawn loans and through purchases of used goods directly from the general public. The Company also retails limited quantities of new or refurbished merchandise obtained directly from wholesalers and manufacturers. The Company records sales revenue at the time of the sale. The Company presents merchandise sales net of any sales or value-added taxes collected. The Company does not provide direct financing to customers for the purchase of its merchandise, but does permit its customers to purchase merchandise on an interest-free layaway plan. Should the customer fail to make a required payment pursuant to a layaway plan, the previous payments are typically forfeited to the Company. Interim payments from customers on layaway sales are recorded as deferred revenue and subsequently recorded as retail merchandise sales revenue when the final payment is received or when previous payments are forfeited to the Company. Some jewelry is processed at third-party facilities and the precious metal and diamond content is sold at either prevailing market commodity prices or a previously agreed upon price with a commodity buyer. The Company records revenue from these wholesale scrap jewelry transactions when a price has been agreed upon and the Company ships the precious metals to the buyer.

The Company accrues consumer loan service fees on a constant-yield basis over the term of the consumer loan. Consumer loans have terms that typically range from 7 to 365 days. The Company recognizes credit services fees ratably over the life of the extension of credit made by the Independent Lenders. The extensions of credit made by the Independent Lenders to credit services customers typically have terms of 7 to 365 days.

Credit loss provisions - The Company has determined no allowance related to credit losses on pawn loans is required as the fair value of the pledged collateral is significantly in excess of the pawn loan amount. The Company maintains an allowance for credit losses on consumer loans on an aggregate basis at a level it considers sufficient to cover estimated losses in the collection of its consumer loans. The allowance for credit losses is based primarily upon historical credit loss experience, with consideration given to recent credit loss trends and changes in loan characteristics (e.g., average amount financed and term), delinquency levels, collateral values, economic conditions and underwriting and collection practices. The allowance for credit losses is periodically reviewed by management with any changes reflected in current operations.

The Company fully reserves or charges off consumer loans once the loan has been classified as delinquent for 60 days. Short-term loans are considered delinquent when payment of an amount due is not made as of the due date. Installment loans are considered delinquent when a customer misses two payments. If a loan is estimated to be uncollectible before it is fully reserved, it is charged off at that point. Recoveries on loans previously charged to the allowance, including the sale of delinquent loans to unaffiliated third parties, are credited to the allowance when collected or when sold to a third party. The Company generally does not accrue interest on delinquent consumer loans. In addition, delinquent consumer loans generally may not be renewed, and if, during its attempt to collect on a delinquent consumer loan, the Company allows additional time for payment through a payment plan or a promise to pay, it is still considered delinquent. Generally, all payments received are first applied against accrued but unpaid interest and fees and then against the principal balance of the loan.

Under the CSO Programs, the Company assists customers in applying for a short-term extension of credit from Independent Lenders and issues the Independent Lenders a guarantee for the repayment of the extension of credit. The Company is required to recognize, at the inception of the guarantee, a liability for the fair value of the obligation undertaken by issuing the guarantee. According to the guarantee, if the borrower defaults on the extension of credit, the Company will pay the Independent Lenders the principal, accrued interest, insufficient funds and late fee, if applicable, all of which the Company records as a component of its credit loss provision. The Company is entitled to seek recovery, directly from its customers, of the amounts it pays the Independent Lenders in performing under the guarantees. The Company records the estimated fair value of the liability in accrued liabilities. The estimated fair value of the liability is periodically reviewed by management with any changes reflected in current operations.

Inventories - Inventories represent merchandise acquired from forfeited pawns and merchandise purchased directly from the general public. The Company also retails limited quantities of new or refurbished merchandise obtained directly from wholesalers and manufacturers. Inventories from forfeited pawns are recorded at the amount of the pawn principal on the unredeemed goods, exclusive of accrued interest. Inventories purchased directly from customers, wholesalers and manufacturers are recorded at cost. The cost of inventories is determined on the specific identification method. Inventories are stated at the lower of cost or net realizable value and, accordingly, inventory valuation allowances are established, if necessary, when inventory carrying values are in excess of estimated selling prices, net of direct costs of disposal. Management has evaluated inventories and determined that a valuation allowance is not necessary.

Goodwill and other indefinite-lived intangible assets - Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in each business combination. The Company performs its goodwill impairment assessment annually as of December 31, and between annual assessments if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company's reporting units, which are tested for impairment, are U.S. operations and Latin America operations. The Company assesses goodwill for impairment at a reporting unit level by first assessing a range of qualitative factors, including, but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for the Company's products and services, regulatory and political developments, entity specific factors such as strategy and changes in key personnel, and overall financial performance. If, after completing this assessment, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, the Company proceeds to the two-step impairment testing methodology. As described in "—Results of Operations—Goodwill Impairment—U.S. Consumer Loan Operations" below, the Company recorded a goodwill impairment charge of $7.9 million during 2015.

The Company's indefinite-lived intangible assets consist of trade names, pawn licenses and franchise agreements related to a check-cashing operation. The Company performs its indefinite-lived intangible asset impairment assessment annually as of December 31, and between annual assessments if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company determined there was no impairment as of December 31, 2017 and 2016.

Foreign currency transactions - The Company has significant operations in Latin America, where in Mexico and Guatemala the functional currency is the Mexican peso and Guatemalan quetzal, respectively. Accordingly, the assets and liabilities of these subsidiaries are translated into U.S. dollars at the exchange rate in effect at each balance sheet date, and the resulting adjustments are accumulated in other comprehensive income (loss) as a separate component of stockholders' equity. Revenues and expenses are translated at the average exchange rates occurring during the respective fiscal period. Prior to translation, U.S. dollar-denominated transactions of the foreign subsidiaries are remeasured into their functional currency using current rates of exchange for monetary assets and liabilities and historical rates of exchange for non-monetary assets and liabilities. Gains and losses from remeasurement of dollar-denominated monetary assets and liabilities in Mexico and Guatemala are included in store operating expenses. Deferred taxes are not currently provided on cumulative foreign currency translation adjustments as the Company indefinitely reinvests earnings of its foreign subsidiaries. The Company also has operations in El Salvador where the reporting and functional currency is the U.S. dollar.

Table of Contents

Results of Operations

Constant Currency Results

The Company’s management reviews and analyzes certain operating results in Latin America on a constant currency basis because the Company believes this better represents the Company’s underlying business trends. Constant currency results are non-GAAP measures, which exclude the effects of foreign currency translation and are calculated by translating current year results at prior year average exchange rates. The scrap jewelry generated in Latin America is sold and settled in U.S. dollars and is therefore not affected by foreign currency translation. A small percentage of the operating and administrative expenses in Latin America are also billed and paid in U.S. dollars which are not affected by foreign currency translation.

Business operations in Mexico and Guatemala are transacted in Mexican pesos and Guatemalan quetzales, respectively. The Company also has operations in El Salvador where the reporting and functional currency is the U.S. dollar. The following table provides exchange rates for the Mexican peso and Guatemalan quetzal for the current and prior year periods:

	2017		2016		2015
	Rate	% Change Over Prior Year Period Favorable / (Unfavorable)	Rate	% Change Over Prior Year Period Favorable / (Unfavorable)	Rate
Mexican peso / U.S. dollar exchange rate:					
End-of-period	19.7	5 %	20.7	(20)%	17.2
Twelve months ended	18.9	(1)%	18.7	(18)%	15.8
Guatemalan quetzal / U.S. dollar exchange rate:					
End-of-period	7.3	3 %	7.5	1 %	7.6
Twelve months ended	7.4	3 %	7.6	1 %	7.7

Amounts presented on a constant currency basis are denoted as such. See “—Non-GAAP Financial Information” for additional discussion of constant currency operating results.

Table of Contents

Operating Results for the Twelve Months Ended December 31, 2017 Compared to the Twelve Months Ended December 31, 2016

U.S. Operations Segment

The following table details earning assets, which consist of pawn loans, consumer loans, net and inventories as well as other earning asset metrics of the U.S. operations segment as of December 31, 2017 as compared to December 31, 2016 (dollars in thousands, except as otherwise noted):

	Balance at December 31, 2017	Balance at December 31, 2016	Increase / (Decrease)
U.S. Operations Segment			
Earning assets:			
Pawn loans	$276,570	$293,392	(6)%
Consumer loans, net [(1)]	23,179	28,847	(20)%
Inventories	216,739	282,860	(23)%
	$516,488	$605,099	(15)%
Average outstanding pawn loan amount (in ones)	$162	$152	7 %
Composition of pawn collateral:			
General merchandise	34 %	36 %	
Jewelry	66 %	64 %	
	100 %	100 %	
Composition of inventories:			
General merchandise	42 %	47 %	
Jewelry	58 %	53 %	
	100 %	100 %	
Percentage of inventory aged greater than one year	6 %	11 %	

(1) Does not include the off-balance sheet principal portion of active CSO extensions of credit made by independent third-party lenders. These amounts, net of the Company’s estimated fair value of its liability for guaranteeing the extensions of credit, totaled $9.3 million and $12.1 million as of December 31, 2017 and 2016, respectively.

Table of Contents

The following table presents segment pre-tax operating income of the U.S. operations segment for the fiscal year ended December 31, 2017 as compared to the fiscal year ended December 31, 2016 (dollars in thousands). Store operating expenses include salary and benefit expense of store-level employees, occupancy costs, bank charges, security, insurance, utilities, supplies and other costs incurred by the stores.

	Year Ended December 31,		
	2017	2016	Increase
U.S. Operations Segment			
Revenue:			
Retail merchandise sales	$717,490	$386,026	86 %
Pawn loan fees	380,596	195,883	94 %
Wholesale scrap jewelry sales	119,197	47,680	150 %
Consumer loan and credit services fees	75,209	41,922	79 %
Total revenue	1,292,492	671,511	92 %
Cost of revenue:			
Cost of retail merchandise sold	468,527	241,086	94 %
Cost of wholesale scrap jewelry sold	112,467	41,357	172 %
Consumer loan and credit services loss provision	19,431	11,494	69 %
Total cost of revenue	600,425	293,937	104 %
Net revenue	692,067	377,574	83 %
Segment expenses:			
Store operating expenses	423,214	215,227	97 %
Depreciation and amortization	24,073	13,618	77 %
Total segment expenses	447,287	228,845	95 %
Segment pre-tax operating income	$244,780	$148,729	65 %

Retail Merchandise Sales Operations

U.S. retail merchandise sales increased 86% to $717.5 million during fiscal 2017 compared to $386.0 million for fiscal 2016. The increase was primarily due to fiscal 2016 only including the results of operations for Cash America for the period September 2, 2016 to December 31, 2016 (“Cash America 2016 Partial Period”), as the Merger was completed on September 1, 2016. Same-store retail sales decreased 1% in legacy First Cash stores and decreased 4% in legacy Cash America stores during fiscal 2017 compared to fiscal 2016. Gross profit margin on retail merchandise sales in the U.S. was 35% during fiscal 2017 compared to a margin of 38% during fiscal 2016, reflecting the impact of historically lower margins in the Cash America stores and a focus during 2017 on liquidating aged inventory items in the Cash America stores.

U.S. inventories decreased 23% from $282.9 million at December 31, 2016 to $216.7 million at December 31, 2017. The decrease was primarily a result of focused liquidation of aged inventories though promotional discounts and jewelry scrapping. Inventories aged greater than one year in the U.S. were 6% overall and 7% and 5% in the legacy Cash America stores and legacy First Cash U.S. stores, respectively.

Pawn Lending Operations

U.S. pawn loan fees increased 94% totaling $380.6 million during fiscal 2017 compared to $195.9 million for fiscal 2016. The increase was primarily due to the Cash America 2016 Partial Period. Legacy First Cash same-store pawn loan fees increased 4%, while legacy Cash America same-store pawn loan fees decreased 9% during fiscal 2017 compared to fiscal 2016. Pawn loan receivables in the U.S. as of December 31, 2017 decreased 6% compared to December 31, 2016 and decreased 7% on a same-store basis. Legacy First Cash same-store pawn receivables increased 6%, while legacy Cash America same-store pawn receivables decreased 10% as of December 31, 2017 compared to December 31, 2016. The decline in legacy Cash America same-store pawn receivables and pawn loan fees was primarily due to the expected impact of reducing the holding period on delinquent pawn loans, optimizing loan-to-value ratios and to a lesser extent, the impact of Hurricane Harvey on pawn receivables in coastal Texas markets.

Wholesale Scrap Jewelry Operations

U.S. wholesale scrap jewelry revenue, consisting primarily of gold sales, increased 150% to $119.2 million during fiscal 2017 compared to $47.7 million during fiscal 2016. The increase in wholesale scrap jewelry revenue was primarily due to the Cash America 2016 Partial Period and an increase in volume due to the clearing of aged inventory in the Cash America stores. The scrap gross profit margin in the U.S. was 6% compared to the prior-year margin of 13%, primarily as a result of the typically higher cost basis in scrap jewelry sold by the Cash America stores. Scrap jewelry profits accounted for 1% of U.S. net revenue (gross profit) for fiscal 2017 compared to 2% in fiscal 2016.

Consumer Lending Operations

Service fees from U.S. consumer loans and credit services transactions (collectively, consumer lending operations) increased 79% to $75.2 million during fiscal 2017 compared to $41.9 million for fiscal 2016. The increase in fees was due to the Cash America 2016 Partial Period. Excluding the increase due to the Cash America 2016 Partial Period, consumer loan and credit services fees decreased 31% as the Company continues to de-emphasize consumer lending operations in light of increasing internet-based competition and regulatory constraints. Revenues from consumer lending operations comprised 6% of total U.S. revenue during fiscal 2017 and 2016.

Segment Expenses and Segment Pre-Tax Operating Income

U.S. store operating expenses increased 97% to $423.2 million during fiscal 2017 compared to $215.2 million during fiscal 2016, primarily as a result of the Merger. Same-store operating expenses increased 2% and decreased 3% in the legacy First Cash and Cash America stores, respectively, compared with the prior-year period.

U.S. store depreciation and amortization increased 77% to $24.1 million during fiscal 2017 compared to $13.6 million during fiscal 2016, primarily as a result of the Merger.

The U.S. segment pre-tax operating income for fiscal 2017 was $244.8 million, which generated a pre-tax segment operating margin of 19% compared to $148.7 million and 22% in the prior year, respectively. The decline in the segment pre-tax operating margin was primarily due to historically lower operating margins in the Cash America stores and a focus during 2017 on liquidating aged inventory levels in Cash America stores, resulting in lower gross profit margins on retail merchandise sales.

Table of Contents

Latin America Operations Segment

The following table details earning assets, which consist of pawn loans, consumer loans, net and inventories as well as other earning asset metrics of the Latin America operations segment as of December 31, 2017 as compared to December 31, 2016 (dollars in thousands, except as otherwise noted):

	Balance at December 31, 2017	Balance at December 31, 2016	Increase / (Decrease)	Constant Currency Basis Balance at December 31, 2017 (Non-GAAP)	Increase / (Decrease) (Non-GAAP)
Latin America Operations Segment					
Earning assets:					
Pawn loans	$68,178	$57,114	19 %	$65,238	14 %
Consumer loans, net	343	357	(4)%	328	(8)%
Inventories	60,032	47,823	26 %	57,400	20 %
	$128,553	$105,294	22 %	$122,966	17 %
Average outstanding pawn loan amount (in ones)	$64	$58	10 %	$61	5 %
Composition of pawn collateral:					
General merchandise	80 %	80 %			
Jewelry	20 %	20 %			
	100 %	100 %			
Composition of inventories:					
General merchandise	75 %	76 %			
Jewelry	25 %	24 %			
	100 %	100 %			
Percentage of inventory aged greater than one year	1 %	1 %			

Table of Contents

The following table presents segment pre-tax operating income of the Latin America operations segment for the fiscal year ended December 31, 2017 as compared to the fiscal year ended December 31, 2016 (dollars in thousands). Store operating expenses include salary and benefit expense of store-level employees, occupancy costs, bank charges, security, insurance, utilities, supplies and other costs incurred by the stores.

	Year Ended December 31, 2017	Year Ended December 31, 2016	Increase / (Decrease)	Constant Currency Basis Year Ended December 31, 2017 (Non-GAAP)	Increase / (Decrease) (Non-GAAP)
Latin America Operations Segment					
Revenue:					
Retail merchandise sales	$333,609	$283,105	18 %	$338,009	19 %
Pawn loan fees	130,309	116,874	11 %	131,972	13 %
Wholesale scrap jewelry sales	21,645	14,958	45 %	21,645	45 %
Consumer loan and credit services fees	1,767	1,929	(8)%	1,793	(7)%
Total revenue	487,330	416,866	17 %	493,419	18 %
Cost of revenue:					
Cost of retail merchandise sold	211,176	177,470	19 %	213,925	21 %
Cost of wholesale scrap jewelry sold	20,327	11,668	74 %	20,568	76 %
Consumer loan and credit services loss provision	388	499	(22)%	394	(21)%
Total cost of revenue	231,891	189,637	22 %	234,887	24 %
Net revenue	255,439	227,229	12 %	258,532	14 %
Segment expenses:					
Store operating expenses	128,660	112,787	14 %	130,154	15 %
Depreciation and amortization	10,311	10,429	(1)%	10,432	— %
Total segment expenses	138,971	123,216	13 %	140,586	14 %
Segment pre-tax operating income	$116,468	$104,013	12 %	$117,946	13 %

Retail Merchandise Sales Operations

Latin America retail merchandise sales increased 18% (19% on a constant currency basis) to $333.6 million during fiscal 2017 compared to $283.1 million for fiscal 2016. The increase was primarily due to an 11% increase (12% on a constant currency basis) in same-store retail sales driven by strong retail demand trends, a 47% increase (50% on a constant currency basis) in retail sales in the 166 Maxi Prenda stores located in Mexico (acquired on January 6, 2016 and therefore not included in the same-store figure above) driven by operating synergies as a result of the utilization of the Company’s proprietary IT platform and best practice retailing strategies, and the maturation of existing stores. The gross profit margin on retail merchandise sales was 37% during fiscal 2017 and 2016.

Inventories in Latin America increased 26% (20% on a constant currency basis) from $47.8 million at December 31, 2016 to $60.0 million at December 31, 2017. Increased inventory levels in the Maxi Prenda stores, which historically carried lower inventory balances than the typical First Cash store, accounted for 22% of the increase with growth from new store openings and the maturation of existing stores accounting for the remainder of the increase.

Table of Contents

Pawn Lending Operations

Pawn loan fees in Latin America increased 11% (13% on a constant currency basis) totaling $130.3 million during fiscal 2017 compared to $116.9 million for fiscal 2016 as a result of the 19% (14% on a constant currency basis) increase in pawn loan receivables as of December 31, 2017 compared to December 31, 2016. The increase in pawn receivables reflects a same-store pawn receivable increase of 17% (12% on a constant currency basis) and new store additions. The increase in same-store pawn receivables was primarily due to strong demand for pawn loans and the maturation of existing stores.

Wholesale Scrap Jewelry Operations

Latin America wholesale scrap jewelry revenue, consisting primarily of gold sales, increased 45% to $21.6 million during fiscal 2017 compared to $15.0 million during fiscal 2016. The increase in wholesale scrap jewelry revenue was primarily due to a reduced volume of scrapping activities in the Maxi Prenda stores during fiscal 2016 as those stores were being converted to the Company’s proprietary point of sale and loan management system. The scrap gross profit margin in Latin America was 6% (5% on a constant currency basis) compared to the prior-year margin of 22%. The 22% scrap gross profit margin in fiscal 2016 was unusually high due to the 18% decline in the average value of the Mexican peso that year, which effectively lowered the cost of the scrap jewelry (scrap is sold in U.S. dollars but sourced in Mexican pesos). Scrap jewelry profits accounted for approximately 1% of Latin America net revenue (gross profit) for fiscal 2017 and fiscal 2016.

Segment Expenses and Segment Pre-Tax Operating Income

Store operating expenses increased 14% (15% on a constant currency basis) to $128.7 million during fiscal 2017 compared to $112.8 million during fiscal 2016 and same-store operating expenses increased 6% (increased 7% on a constant currency basis) compared to the prior-year period. The increase in both total and same-store operating expenses was due in large part to increased compensation expense related to incentive pay and wage inflation.

The segment pre-tax operating income for fiscal 2017 was $116.5 million, which generated a pre-tax segment operating margin of 24% compared to $104.0 million and 25% in the prior year, respectively.

Table of Contents

Consolidated Results of Operations

The following table reconciles pre-tax operating income of the Company's U.S. operations segment and Latin America operations segment discussed above to consolidated net income for the fiscal year ended December 31, 2017 as compared to the fiscal year ended December 31, 2016 (dollars in thousands):

	Year Ended December 31,		Increase /
	2017	2016	(Decrease)
Consolidated Results of Operations			
Segment pre-tax operating income:			
U.S. operations segment pre-tax operating income	$244,780	$148,729	65 %
Latin America operations segment pre-tax operating income	116,468	104,013	12 %
Consolidated segment pre-tax operating income	361,248	252,742	43 %
Corporate expenses and other income:			
Administrative expenses	122,473	96,537	27 %
Depreciation and amortization	20,849	7,818	167 %
Interest expense	24,035	20,320	18 %
Interest income	(1,597)	(751)	113 %
Merger and other acquisition expenses	9,062	36,670	(75)%
Loss on extinguishment of debt	14,114	—	— %
Net gain on sale of common stock of Enova	—	(1,299)	(100)%
Total corporate expenses and other income	188,936	159,295	19 %
Income before income taxes	172,312	93,447	84 %
Provision for income taxes	28,420	33,320	(15)%
Net income	$143,892	$60,127	139 %
Comprehensive income	$151,821	$18,731	711 %

Corporate Expenses and Taxes

Administrative expenses increased 27% to $122.5 million during fiscal 2017 compared to $96.5 million during fiscal 2016, primarily as a result of the Merger and a 36% increase in the weighted-average store count resulting in additional management and supervisory compensation and other support expenses required for such growth. As a percentage of revenue, administrative expenses decreased from 9% during fiscal 2016 to 7% during fiscal 2017, primarily due to synergies realized from the Merger and the Maxi Prenda acquisition.

Corporate depreciation and amortization increased to $20.8 million during fiscal 2017 compared to $7.8 million during fiscal 2016, primarily due to the assumption of $118.2 million in property and equipment and $23.4 million in intangible assets subject to amortization as a result of the Merger, which were depreciated and amortized during all of fiscal 2017 as compared to the period September 2, 2016 to December 31, 2016 during fiscal 2016.

Interest expense increased to $24.0 million during fiscal 2017 compared to $20.3 million for fiscal 2016. See "—Liquidity and Capital Resources."

Merger and other acquisition expenses decreased to $9.1 million during fiscal 2017 compared to $36.7 million during fiscal 2016, reflecting the timing of transaction and integration costs related to the Merger. See "—Non-GAAP Financial Information" for additional details of Merger related expenses.

Table of Contents

During fiscal 2017, the Company repurchased through a tender offer, or otherwise redeemed, its outstanding $200 million, 6.75% senior notes due 2021 incurring a loss on extinguishment of debt of $14.1 million. See "—Liquidity and Capital Resources."

The Company's effective income tax rate for fiscal 2017 was 16.5%, primarily a result of the passage of the Tax Cuts and Jobs Act ("Tax Act") in fiscal 2017, as the Company recorded a provisional net one-time tax benefit of $27.3 million during the fourth quarter of 2017. Excluding the tax benefit realized as a result of the Tax Act, the effective income tax rate for fiscal 2017 was 32.3% compared to 35.7% for fiscal 2016. The decrease in the adjusted fiscal 2017 effective tax rate as compared to the 2016 effective tax rate was primarily due to an increase in certain foreign permanent tax benefits and certain significant Merger related expenses being non-deductible for income tax purposes during fiscal 2016, which increased the 2016 effective tax rate. The Company expects its effective income tax rate for fiscal 2018 to be between 26.5% and 27.5% as a result of the Tax Act. See Note 11 of Notes to Consolidated Financial Statements.

Net Income, Adjusted Net Income, Net Income Per Share and Adjusted Net Income Per Share

The following table sets forth revenue, net revenue, net income, net income per share, adjusted net income and adjusted net income per share for the fiscal year ended December 31, 2017 as compared to the fiscal year ended December 31, 2016 (in thousands, except per share amounts):

	Year Ended December 31,			
	2017		2016	
	As Reported (GAAP)	Adjusted (Non-GAAP)	As Reported (GAAP)	Adjusted (Non-GAAP)
Revenue	$1,779,822	$ 1,779,822	$1,088,377	$ 1,088,377
Net revenue	$947,506	$ 947,506	$604,803	$ 604,803
Net income	$143,892	$ 131,225	$60,127	$ 85,332
Diluted earnings per share	$3.00	$ 2.74	$1.72	$ 2.44
Weighted average diluted shares	47,888	47,888	35,004	35,004

GAAP and adjusted earnings per share for fiscal 2017 compared to fiscal 2016 were negatively impacted by $0.02 per share due to the year-over-year 1% unfavorable change in the average value of the Mexican peso. Adjusted net income removes certain items from GAAP net income that the Company does not consider to be representative of its actual operating performance, such as the non-recurring 2017 net tax benefit from the Tax Act, debt extinguishment costs and Merger and other acquisition expenses, but does not adjust for the effects of foreign currency rate fluctuations. See "—Non-GAAP Financial Information—Adjusted Net Income and Adjusted Net Income Per Share" below.

Table of Contents

Operating Results for the Twelve Months Ended December 31, 2016 Compared to the Twelve Months Ended December 31, 2015

U.S. Operations Segment

The following table details earning assets, which consist of pawn loans, consumer loans, net and inventories as well as other earning asset metrics of the U.S. operations segment as of December 31, 2016 as compared to December 31, 2015 (dollars in thousands, except as otherwise noted):

	Balance at December 31,		Increase /
	2016	2015	(Decrease)
U.S. Operations Segment			
Earning assets:			
Pawn loans	$293,392	$68,153	330 %
Consumer loans, net [1]	28,847	688	4,093 %
Inventories	282,860	56,040	405 %
	$605,099	$124,881	385 %
Average outstanding pawn loan amount (in ones)	$152	$169	(10)%
Composition of pawn collateral:			
General merchandise	36 %	45 %	
Jewelry	64 %	55 %	
	100 %	100 %	
Composition of inventories:			
General merchandise	47 %	57 %	
Jewelry	53 %	43 %	
	100 %	100 %	
Percentage of inventory aged greater than one year	11 %	8 %	

(1) Does not include the off-balance sheet principal portion of active CSO extensions of credit made by independent third-party lenders. These amounts, net of the Company’s estimated fair value of its liability for guaranteeing the extensions of credit, totaled $12.1 million and $7.0 million as of December 31, 2016 and 2015, respectively.

Table of Contents

The following table presents segment pre-tax operating income of the U.S. operations segment for the fiscal year ended December 31, 2016 as compared to the fiscal year ended December 31, 2015 (dollars in thousands). Store operating expenses include salary and benefit expense of store-level employees, occupancy costs, bank charges, security, insurance, utilities, supplies and other costs incurred by the stores.

	Year Ended December 31,		
	2016	2015	Increase
U.S. Operations Segment			
Revenue:			
Retail merchandise sales	$386,026	$197,011	96 %
Pawn loan fees	195,883	94,761	107 %
Wholesale scrap jewelry sales	47,680	19,380	146 %
Consumer loan and credit services fees	41,922	25,696	63 %
Total revenue	671,511	336,848	99 %
Cost of revenue:			
Cost of retail merchandise sold	241,086	117,059	106 %
Cost of wholesale scrap jewelry sold	41,357	17,530	136 %
Consumer loan and credit services loss provision	11,494	6,770	70 %
Total cost of revenue	293,937	141,359	108 %
Net revenue	377,574	195,489	93 %
Segment expenses:			
Store operating expenses	215,227	107,852	100 %
Depreciation and amortization	13,618	6,146	122 %
Total segment expenses	228,845	113,998	101 %
Segment pre-tax operating income	$148,729	$81,491	83 %

Retail Merchandise Sales Operations

U.S. retail merchandise sales increased 96% to $386.0 million during fiscal 2016 compared to $197.0 million for fiscal 2015. The increase was primarily due to the Cash America 2016 Partial Period, which accounted for 96% of the increase in retail merchandise sales. During fiscal 2016, the gross profit margin on retail merchandise sales in the U.S. was 38% compared to a margin of 41% during fiscal 2015, reflecting an increased mix of general merchandise inventories compared to jewelry inventories in legacy First Cash stores and the impact of lower margins in the Cash America stores.

U.S. inventories increased 405% from $56.0 million at December 31, 2015 to $282.9 million at December 31, 2016. The increase was due to the inclusion of $232.6 million of Cash America inventories partially offset by a 10% decline in legacy First Cash store inventories. Included in the Cash America inventory balance as of December 31, 2016 was $13.5 million of scrap inventories in transit or held in processing locations. The shift in the composition of pawn inventory from general merchandise to jewelry was primarily due to the Cash America stores carrying greater quantities of jewelry merchandise compared to legacy First Cash stores. The increase in inventory aged greater than one year was primarily due to the inclusion of the Cash America stores, which have historically carried higher aged balances than legacy First Cash stores, partially offset by a decrease in aged inventory at legacy First Cash stores.

Pawn Lending Operations

U.S. pawn loan fees increased 107% totaling $195.9 million during fiscal 2016 compared to $94.8 million for fiscal 2015. Pawn loan receivables in the U.S. as of December 31, 2016 increased 330% compared to December 31, 2015. The increase in pawn loan fees and pawn loan receivables was due to the inclusion of the Cash America 2016 Partial Period, which accounted for 101% of the pawn fee increase and 100% of the pawn receivable increase. Legacy First Cash same-store pawn receivables increased 1% as of December 31, 2016 compared to December 31, 2015. Legacy First Cash same-store pawn loan fees declined 4% in fiscal

Table of Contents

2016 compared to fiscal 2015, as a result of a 6% decline in the beginning of year same-store pawn loans. The shift in the composition of pawn receivables from general merchandise to jewelry was primarily due to the Cash America stores, which have historically carried a higher percentage of jewelry loans than legacy First Cash stores.

Wholesale Scrap Jewelry Operations

U.S. wholesale scrap jewelry revenue, consisting primarily of gold sales, increased 146% to $47.7 million during fiscal 2016 compared to $19.4 million during fiscal 2015. The increase in wholesale scrap jewelry revenue was primarily due to the inclusion of the Cash America 2016 Partial Period, which accounted for 92% of the increase in wholesale scrap jewelry revenue. The scrap gross profit margin in the U.S. was 13% compared to the prior-year margin of 10%, due primarily to an 8% increase in the average spot price of gold in 2016. Scrap jewelry profits accounted for 2% of U.S. net revenue (gross profit) for fiscal 2016 compared to 1% in fiscal 2015.

Consumer Lending Operations

Service fees from U.S. consumer loans and credit services transactions (collectively, consumer lending operations) increased 63% to $41.9 million during fiscal 2016 compared to $25.7 million for fiscal 2015. The increase in fees was due to the Cash America 2016 Partial Period. Excluding the increase due to the Cash America 2016 Partial Period, consumer loan and credit services fees decreased 29% as the Company continues to de-emphasize consumer lending operations in light of increasing internet-based competition and regulatory constraints. Consumer/payday loan-related products comprised 6% of total U.S. revenue during fiscal 2016 compared to 8% during fiscal 2015.

Segment Expenses and Segment Pre-Tax Operating Income

U.S. store operating expenses increased 100% to $215.2 million during fiscal 2016 compared to $107.9 million during fiscal 2015, primarily as a result of the Merger. Same-store operating expenses in the First Cash legacy stores were consistent with the prior-year period.

The U.S. segment pre-tax operating income for fiscal 2016 was $148.7 million, which generated a pre-tax segment operating margin of 22% compared to $81.5 million and 24% in the prior year, respectively.

Table of Contents

Latin America Operations Segment

The following table details earning assets, which consist of pawn loans, consumer loans, net and inventories as well as other earning asset metrics of the Latin America operations segment as of December 31, 2016 as compared to December 31, 2015 (dollars in thousands, except as otherwise noted):

	Balance at December 31,			Constant Currency Basis	
				Balance at December 31,	Increase /
			Increase /	2016	(Decrease)
	2016	2015	(Decrease)	(Non-GAAP)	(Non-GAAP)
Latin America Operations Segment					
Earning assets:					
Pawn loans	$57,114	$49,448	16 %	$67,745	37 %
Consumer loans, net	357	430	(17)%	429	— %
Inventories	47,823	37,418	28 %	56,908	52 %
	$105,294	$87,296	21 %	$125,082	43 %
Average outstanding pawn loan amount (in ones)	$58	$63	(8)%	$69	10 %
Composition of pawn collateral:					
General merchandise	80 %	87 %			
Jewelry	20 %	13 %			
	100 %	100 %			
Composition of inventories:					
General merchandise	76 %	85 %			
Jewelry	24 %	15 %			
	100 %	100 %			
Percentage of inventory aged greater than one year	1 %	2 %			

53

Table of Contents

The following table presents segment pre-tax operating income of the Latin America operations segment for the fiscal year ended December 31, 2016 as compared to the fiscal year ended December 31, 2015 (dollars in thousands). Store operating expenses include salary and benefit expense of store-level employees, occupancy costs, bank charges, security, insurance, utilities, supplies and other costs incurred by the stores.

	Year Ended December 31,		Increase /	Constant Currency Basis Year Ended December 31,	Increase
	2016	2015	(Decrease)	2016 (Non-GAAP)	(Non-GAAP)
Latin America Operations Segment					
Revenue:					
Retail merchandise sales	$283,105	$252,285	12 %	$331,325	31 %
Pawn loan fees	116,874	100,687	16 %	136,259	35 %
Wholesale scrap jewelry sales	14,958	12,675	18 %	14,958	18 %
Consumer loan and credit services fees	1,929	2,107	(8)%	2,271	8 %
Total revenue	416,866	367,754	13 %	484,813	32 %
Cost of revenue:					
Cost of retail merchandise sold	177,470	161,572	10 %	207,615	28 %
Cost of wholesale scrap jewelry sold	11,668	10,098	16 %	13,505	34 %
Consumer loan and credit services loss provision	499	389	28 %	587	51 %
Total cost of revenue	189,637	172,059	10 %	221,707	29 %
Net revenue	227,229	195,695	16 %	263,106	34 %
Segment expenses:					
Store operating expenses	112,787	99,720	13 %	130,029	30 %
Depreciation and amortization	10,429	8,803	18 %	12,064	37 %
Total segment expenses	123,216	108,523	14 %	142,093	31 %
Segment pre-tax operating income	$104,013	$87,172	19 %	$121,013	39 %

Retail Merchandise Sales Operations

Latin America retail merchandise sales increased 12% (31% on a constant currency basis) to $283.1 million during fiscal 2016 compared to $252.3 million for fiscal 2015. The increase was primarily due to the retail revenue contribution from the Maxi Prenda stores acquired in the fourth quarter of 2015 and first quarter of 2016, which accounted for 53% of the constant currency increase, and a 10% increase in same-store constant currency retail sales. During fiscal 2016, the gross profit margin on retail merchandise sales was 37% compared to a margin of 36% on retail merchandise sales during fiscal 2015.

Inventories in Latin America increased 28% (52% on a constant currency basis) from $37.4 million at December 31, 2015 to $47.8 million at December 31, 2016. The increase was consistent with the growth in store counts from acquisitions and store openings in Latin America and the maturation of existing stores. The shift in the composition of pawn inventory from general merchandise to jewelry was primarily due to the Maxi Prenda stores carrying a higher percentage of jewelry inventories and a lower percentage of general merchandise inventories compared to legacy First Cash stores.

Table of Contents

Pawn Lending Operations

Pawn loan fees in Latin America increased 16% (35% on a constant currency basis) totaling $116.9 million during fiscal 2016 compared to $100.7 million for fiscal 2015. Latin America pawn loan receivables as of December 31, 2016 increased 16% (37% on a constant currency basis) compared to December 31, 2015. The increase in pawn loan fees and pawn receivables was primarily due to the contribution from the Maxi Prenda stores, which accounted for 71% of the constant currency increase in pawn loan fees and 63% of the constant currency increase in pawn receivables. While Latin America same-store pawn receivables decreased 8% on a U.S. dollar basis compared to the prior year period, constant currency same-store pawn receivables increased 11%, primarily accounting for the remainder of the constant currency increase in Latin America pawn loan fees and pawn receivables. The shift in the composition of pawn receivables from general merchandise to jewelry was primarily due to the Maxi Prenda stores carrying a higher percentage of jewelry loans compared to legacy First Cash stores.

Wholesale Scrap Jewelry Operations

Latin America wholesale scrap jewelry revenue, consisting primarily of gold sales, increased 18% to $15.0 million during fiscal 2016 compared to $12.7 million during fiscal 2015. The increase in wholesale scrap jewelry revenue was primarily due to the contribution from the Maxi Prenda stores. The scrap gross profit margin in Latin America was 22% (10% on a constant currency basis) compared to the prior-year margin of 20%. Scrap jewelry profits accounted for 1% of Latin America net revenue (gross profit) for fiscal 2016, which equaled fiscal 2015.

Segment Expenses and Segment Pre-Tax Operating Income

Store operating expenses increased 13% (30% on a constant currency basis) to $112.8 million during fiscal 2016 compared to $99.7 million during fiscal 2015, primarily as a result of the Maxi Prenda acquisition, partially offset by an 18% year-over-year unfavorable change in the average value of the Mexican peso. Same-store operating expenses decreased 9% (increased 6% on a constant currency basis) compared to the prior-year period.

The segment pre-tax operating income for fiscal 2016 was $104.0 million, which generated a pre-tax segment operating margin of 25% compared to $87.2 million and 24% in the prior year, respectively.

Table of Contents

Consolidated Results of Operations

The following table reconciles pre-tax operating income of the Company’s U.S. operations segment and Latin America operations segment discussed above to consolidated net income for the fiscal year ended December 31, 2016 as compared to the fiscal year ended December 31, 2015 (dollars in thousands):

	Year Ended December 31, 2016	Year Ended December 31, 2015	Increase / (Decrease)
Consolidated Results of Operations			
Segment pre-tax operating income:			
U.S. operations segment pre-tax operating income	$148,729	$81,491	83 %
Latin America operations segment pre-tax operating income	104,013	87,172	19 %
Consolidated segment pre-tax operating income	252,742	168,663	50 %
Corporate expenses and other income:			
Administrative expenses	96,537	51,883	86 %
Depreciation and amortization	7,818	2,990	161 %
Interest expense	20,320	16,887	20 %
Interest income	(751)	(1,566)	(52)%
Merger and other acquisition expenses	36,670	2,875	1,175 %
Net gain on sale of common stock of Enova	(1,299)	—	— %
Goodwill impairment - U.S. consumer loan operations	—	7,913	(100)%
Total corporate expenses and other income	159,295	80,982	97 %
Income before income taxes	93,447	87,681	7 %
Provision for income taxes	33,320	26,971	24 %
Net income	$60,127	$60,710	(1)%
Comprehensive income	$18,731	$22,578	(17)%

Goodwill Impairment - U.S. Consumer Loan Operations

As a result of the Company’s fiscal 2015 goodwill impairment analysis, a $7.9 million goodwill impairment charge was recorded associated with its former U.S. consumer loan operations reporting unit, which is no longer a goodwill reporting unit of the Company.

Corporate Expenses, Other Income and Taxes

Administrative expenses increased to $96.5 million during fiscal 2016 compared to $51.9 million during fiscal 2015, primarily as a result of the Merger and a 49% increase in the weighted-average store count resulting in additional management and supervisory compensation and other support expenses required for such growth, partially offset by an 18% unfavorable change in the average value of the Mexican peso, which reduced comparative administrative expenses in Mexico. As a percentage of revenue, administrative expenses increased from 7% during fiscal 2015 to 9% during fiscal 2016 primarily due to the Merger and the Maxi Prenda acquisition.

Corporate depreciation and amortization increased to $7.8 million during fiscal 2016 compared to $3.0 million during fiscal 2015, primarily due to the assumption of $118.2 million in property and equipment and $23.4 million in intangible assets subject to amortization as a result of the Merger.

Table of Contents

Interest expense increased to $20.3 million during fiscal 2016 compared to $16.9 million for fiscal 2015 primarily related to increased borrowings on the Company's revolving unsecured credit facility primarily used to pay off assumed debt in conjunction with the Merger. See "—Liquidity and Capital Resources."

Merger and other acquisition expenses increased to $36.7 million during fiscal 2016 compared to $2.9 million during fiscal 2015, reflecting transaction and integration costs primarily related to the Merger. See "—Non-GAAP Financial Information" for additional details of Merger related expenses.

In conjunction with the Merger, the Company assumed Cash America's investment in the common stock of Enova International, Inc., a publicly traded company focused on providing online consumer lending products. Subsequent to the Merger, all of the Enova shares were sold in open market transactions which resulted in a net gain on sale of $1.3 million.

For fiscal 2016 and 2015, the Company's effective federal income tax rates were 35.7% and 30.8%, respectively. The increase in the effective tax rate was primarily due to certain significant Merger related expenses being non-deductible for income tax purposes and, to a lesser extent, the increase in taxable U.S. sourced income due to the Merger, which is subject to a higher tax rate than taxable income sourced in Latin America.

Net Income, Adjusted Net Income, Net Income Per Share and Adjusted Net Income Per Share

The following table sets forth revenue, net revenue, net income, net income per share, adjusted net income and adjusted net income per share for the fiscal year ended December 31, 2016 as compared to the fiscal year ended December 31, 2015 (in thousands, except per share amounts):

	Year Ended December 31,			
	2016		2015	
	As Reported (GAAP)	Adjusted (Non-GAAP)	As Reported (GAAP)	Adjusted (Non-GAAP)
Revenue	$1,088,377	$ 1,088,377	$704,602	$ 704,602
Net revenue	$604,803	$ 604,803	$391,184	$ 391,184
Net income	$60,127	$ 85,332	$60,710	$ 68,483
Diluted earnings per share	$1.72	$ 2.44	$2.14	$ 2.42
Weighted average diluted shares	35,004	35,004	28,326	28,326

While as-reported GAAP net income and earnings per share for fiscal 2016 declined 1% and 20%, respectively, compared to the prior year primarily due to Merger and other acquisition expenses, adjusted net income and earnings per share increased 25% and 1%, respectively, compared to the prior year. The smaller increase in adjusted earnings per share for fiscal 2016 compared to fiscal 2015 was a result of an increase in the weighted average diluted shares outstanding from the Merger. Adjusted net income removes certain items from GAAP net income that the Company does not consider to be representative of its actual operating performance, such as Merger and other acquisition expenses, but does not adjust for the effects of foreign currency rate fluctuations. See "—Non-GAAP Financial Information—Adjusted Net Income and Adjusted Net Income Per Share" below.

Table of Contents

Liquidity and Capital Resources

As of December 31, 2017, the Company’s primary sources of liquidity were $114.4 million in cash and cash equivalents, $287.9 million of available and unused funds under the Company's long-term line of credit with its commercial lenders, $411.0 million in customer loans and fees and service charges receivable and $276.8 million in inventories. As of December 31, 2017, the amount of cash associated with indefinitely reinvested foreign earnings was $79.8 million, which is primarily held in Mexican pesos. The Company had working capital of $721.6 million as of December 31, 2017 and total equity exceeded liabilities by a ratio of 2.5 to 1.

On May 30, 2017, the Company completed an offering of $300.0 million of 5.375% senior notes due on June 1, 2024 (the “Notes”). Interest on the Notes is payable semi-annually in arrears on June 1 and December 1, commencing on December 1, 2017. The Notes were sold to the placement agents as initial purchasers for resale only to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and outside the United States in accordance with Regulation S under the Securities Act. The Company used the proceeds from the offering to repurchase, or otherwise redeem, its outstanding $200.0 million, 6.75% senior notes due 2021 (the “2021 Notes”), to pay related fees and expenses and for general corporate purposes, including share repurchases and repaying borrowings under the Company’s credit facility. The Company capitalized $5.1 million in issuance costs, which consisted primarily of placement agent fees and legal and other professional expenses. The issuance costs are being amortized over the life of the Notes as a component of interest expense and are carried as a direct deduction from the carrying amount of the Notes in the accompanying consolidated balance sheets.

The Notes are fully and unconditionally guaranteed on a senior unsecured basis jointly and severally by all of the Company's existing and future domestic subsidiaries that guarantee its primary revolving bank credit facility. The Notes will permit the Company to make share repurchases of up to $100.0 million with the net proceeds of the Notes and other available funds and to make restricted payments, such as purchasing shares of its stock and paying cash dividends, in an unlimited amount if, after giving pro forma effect to the incurrence of any indebtedness to make such payment, the Company's consolidated total debt ratio (“Net Debt Ratio”) is less than 2.25 to 1. The Net Debt Ratio is defined generally in the indenture governing the Notes (the “Indenture”) as the ratio of (1) the total consolidated debt of the Company minus cash and cash equivalents of the Company to (2) the Company’s consolidated trailing twelve months EBITDA, as adjusted to exclude certain non-recurring expenses and giving pro forma effect to operations acquired during the measurement period. As of December 31, 2017, the Net Debt Ratio was 1.1 to 1, see the table below for additional information on the calculation of the Net Debt Ratio.

The Company may redeem the Notes at any time on or after June 1, 2020, at the redemption prices set forth in the Indenture, plus accrued and unpaid interest, if any. In addition, prior to June 1, 2020, the Company may redeem some or all of the Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus a “make-whole” premium set forth in the Indenture. The Company may redeem up to 35% of the Notes prior to June 1, 2020, with the proceeds of certain equity offerings at a redemption price of 105.375% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any. In addition, upon a change of control, noteholders have the right to require the Company to purchase the Notes at a price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest, if any.

During fiscal 2017, the Company recognized a $14.1 million loss on extinguishment of debt related to the repurchase or redemption of the 2021 Notes which includes the tender or redemption premiums paid over the outstanding $200.0 million principal amount of the 2021 Notes and other reacquisition costs of $10.9 million and the write off of unamortized debt issuance costs of $3.2 million.
At December 31, 2017, the Company maintained a line of credit with a group of U.S. based commercial lenders (the “2016 Credit Facility”) in the amount of $400.0 million. In May 2017, the term of the 2016 Credit Facility was extended through September 2, 2022. The calculation of the fixed charge coverage ratio was also amended to remove share

repurchases from the calculation to provide greater flexibility for making future share repurchases and paying cash dividends.

At December 31, 2017, the Company had $107.0 million in outstanding borrowings and $5.1 million in outstanding letters of credit under the 2016 Credit Facility, leaving $287.9 million available for future borrowings. The 2016 Credit Facility bears interest, at the Company’s option, at either (i) the prevailing London Interbank Offered Rate (“LIBOR”) (with interest periods of 1 week or 1, 2, 3 or 6 months at the Company’s option) plus a fixed spread of 2.5% or (ii) the prevailing prime or base rate plus a fixed spread of 1.5%. The agreement has a LIBOR floor of 0%. Additionally, the Company is required to pay an annual commitment fee of 0.50% on the average daily unused portion of the 2016 Credit Facility commitment. The weighted-average interest rate on amounts outstanding under the 2016 Credit Facility at December 31, 2017 was 4.00% based on 1 week LIBOR. Under the terms of the 2016 Credit Facility, the Company is required to maintain certain financial ratios and comply with certain financial covenants. The 2016 Credit Facility also contains customary restrictions on the Company’s ability to incur additional debt, grant liens, make investments, consummate acquisitions and similar negative covenants with customary carve-outs and baskets. The Company was in compliance with the covenants of the 2016 Credit Facility as of December 31, 2017, and believes it has the capacity to borrow a substantial portion of the amount available under the 2016 Credit Facility under the most restrictive covenant. During fiscal 2017, the Company made net payments of $153.0 million pursuant to the 2016 Credit Facility. In general, revenue growth is dependent upon the Company’s ability to fund the addition of store locations (both de novo openings and acquisitions) and growth in customer loan balances and inventories. In addition to these factors, changes in loan balances, collection of pawn fees, merchandise sales, inventory levels, seasonality, operating expenses, administrative expenses, expenses related to the Merger, tax rates, gold prices, foreign currency exchange rates and the pace of new store expansions and acquisitions, affect the Company’s liquidity. Management believes cash on hand, the borrowings available under its credit facility, anticipated cash generated from operations (including the normal seasonal increases in operating cash flows occurring in the first and fourth quarters) and other current working capital will be sufficient to meet the Company’s anticipated capital requirements for its business for at least the next twelve months. Where appropriate or desirable, in connection with the Company’s efficient management of its liquidity position, the Company could seek to raise additional funds from a variety of sources, including the sale of assets, reductions in capital spending, the issuance of debt or equity securities and/or changes to its management of current assets. The characteristics of the Company’s current assets, specifically the ability to rapidly liquidate gold jewelry inventory and adjust outflows of cash in its lending practices, gives the Company flexibility to quickly modify its business strategy to increase cash flow from its business, if necessary. Regulatory developments affecting the Company’s operations may also impact profitability and liquidity. See “—Item 1—Business—Governmental Regulation.”

The Company regularly evaluates opportunities to optimize its capital structure, including through consideration of the issuance of debt or equity, to refinance existing debt and to fund ongoing cash needs such as general corporate purposes, growth initiatives and its stock repurchase program.

The following tables set forth certain historical information with respect to the Company’s sources and uses of cash and other key indicators of liquidity (dollars in thousands):

	Year Ended December 31,		
	2017	2016	2015
Cash flow provided by operating activities	$220,357	$96,854	$92,749
Cash flow provided by (used in) investing activities	1,397	(25,967)	(71,676)
Cash flow provided by (used in) financing activities	(197,506)	(58,713)	9,127

	Balance at December 31,		
	2017	2016	2015
Net working capital	$721,626	$748,507	$279,259
Current ratio	7.0:1	6.2:1	7.0:1
Liabilities to equity	0.4:1	0.5:1	0.7:1
Net Debt Ratio (1)	1.1:1	2.1:1	1.3:1

(1) Pursuant to the covenants of the Notes, the Company may make restricted payments, such as purchasing shares of its stock and paying cash dividends, in an unlimited amount if, after giving pro forma effect to the incurrence of any indebtedness to make such payment, the Company's Net Debt Ratio is less than 2.25 to 1. Adjusted EBITDA, a component of the Net Debt Ratio, is a non-GAAP measure. See “—Non-GAAP Financial Information” for a calculation of the Net Debt Ratio.

Net cash provided by operating activities increased $123.5 million, or 128%, from $96.9 million for fiscal 2016 to $220.4 million for fiscal 2017, due primarily to an increase in net income of $83.8 million and net changes in certain adjustments and operating assets and liabilities (as detailed in the statements of cash flows).

59

Net cash provided by investing activities increased $27.4 million, or 105%, from net cash used in investing activities of $26.0 million during fiscal 2016 to net cash provided by investing activities of $1.4 million during fiscal 2017. Cash flows from investing activities are utilized primarily to fund pawn store acquisitions and purchases of property and equipment. In addition, net cash flows related to fundings/repayments of pawn and consumer loans are included in investing activities. The Company paid $2.2 million in cash related to acquisitions during fiscal 2017 compared to $29.9 million in fiscal 2016. In addition, the portion of the aggregate Merger consideration paid in cash upon closing of the Merger, net of cash acquired, was $8.3 million during fiscal 2016. The Company received funds from a net decrease in pawn and consumer loans of $40.7 million during fiscal 2017 compared to funding a net increase in loans of $16.1 million during fiscal 2016, and received proceeds of $62.1 million from the sale of approximately six million shares of common stock of Enova International, Inc. during fiscal 2016.

Net cash used in financing activities increased $138.8 million from $58.7 million during fiscal 2016 to $197.5 million during fiscal 2017. Net payments on the Company's credit facility were $153.0 million during fiscal 2017 compared to net borrowings of $202.0 million during fiscal 2016, which was primarily used to pay Merger related expenses and pay off assumed debt in conjunction with the Merger. During fiscal 2017, the Company received $300.0 million in proceeds from the private offering of the Notes and paid $5.3 million in debt issuance costs related to the issuance of the Notes and the extension of the 2016 Credit Facility. Using part of the proceeds from the Notes, the Company repurchased, or otherwise redeemed, the $200.0 million 2021 Notes and paid tender or redemption premiums over the face value of the 2021 Notes and other reacquisition costs of $10.9 million during fiscal 2017. The Company paid $2.4 million of debt issuance costs related to the 2016 Credit Facility during fiscal 2016. In addition, the Company repaid $6.5 million in peso-denominated debt assumed from the Maxi Prenda acquisition and $232.0 million in debt assumed in conjunction with the Merger during fiscal 2016. The Company repurchased $91.7 million worth of shares of its common stock, realized proceeds from the exercise of stock options of $0.3 million and paid dividends of $36.8 million during fiscal 2017, compared to dividends paid of $19.8 million during fiscal 2016.

During fiscal 2017, the Company opened 45 new pawn stores in Latin America, acquired five pawn stores in Latin America, opened two pawn stores in the U.S. and acquired one pawn store in the U.S. The cumulative all-cash purchase price of the 2017 acquisitions was $1.2 million, net of cash acquired and certain post-closing adjustments. During fiscal 2017, the Company also paid $1.0 million of deferred purchase price amounts payable related to prior-year acquisitions. The Company funded $37.1 million in capital expenditures during fiscal 2017, of which $11.2 million related to the purchase of real estate primarily at existing stores with the remainder related primarily to maintenance capital expenditures and new store additions. Acquisition purchase prices, real estate purchase prices, capital expenditures, working capital requirements and start-up losses related to new store openings have been primarily funded through cash balances, operating cash flows and the Company's credit facility. The Company's cash flow and liquidity available to fund expansion in 2017 included net cash flow from operating activities of $220.4 million for fiscal 2017.

The Company intends to continue expansion primarily through acquisitions and new store openings. For fiscal 2018, the Company expects to add approximately 85 stores, primarily in Latin America, including plans for its first stores in Colombia. Additionally, the Company intends to continue purchasing the real estate from landlords at its existing stores as opportunities arise at attractive prices. Excluding these real estate purchases, the Company expects total capital expenditures for 2018, including expenditures for new and remodeled stores and other corporate assets, to total approximately $27.5 million to $32.5 million. Management believes cash on hand, the amounts available to be drawn under the credit facility and cash generated from operations will be sufficient to accommodate the Company's current operations and store expansion plans for 2018.

The Company continually looks for, and is presented with, potential acquisition opportunities. The Company currently has no other contractual commitments for materially significant future acquisitions, business combinations or capital commitments. The Company will evaluate potential acquisitions based upon growth potential, purchase price, available liquidity, debt covenant restrictions, strategic fit and quality of management personnel, among other factors. If the Company encounters an attractive opportunity to acquire new stores in the near future, the Company may seek additional financing, the terms of which will be negotiated on a case-by-case basis.

In January 2015, the Company’s Board of Directors authorized a common stock repurchase program for up to 2,000,000 shares of the Company’s outstanding common stock. During the first quarter of 2017, the Company repurchased 228,000 shares of its common stock at an aggregate cost of $10.0 million and an average cost per share of $43.94. In May 2017, the Company’s Board of Directors authorized a new common stock repurchase program for up to $100.0 million of the Company’s outstanding common stock. The new share repurchase program replaced the Company’s prior share repurchase plan, which was terminated in May 2017. Under the May 2017 stock repurchase program, the Company has repurchased 1,388,000 shares of its common stock at an aggregate cost of $83.0 million and an average cost per share of $59.80 and $17.0 million remained available for repurchases as of December 31, 2017. On January 31, 2018, the Company completed the May 2017 stock repurchase program after repurchasing approximately 239,000 shares of common stock at an aggregate cost of $17.0 million. The Company did not repurchase any of its shares in 2016 as it suspended its share repurchase program in 2016 due to the Merger.

Table of Contents

In October 2017, the Company's Board of Directors authorized an additional common stock repurchase program for up to $100.0 million of the Company's outstanding common stock, which became effective on January 31, 2018 upon completion of the May 2017 stock repurchase program. The Company intends to continue repurchases under its repurchase program in 2018 through open market transactions under trading plans in accordance with Rule 10b5-1 and Rule 10b-18 under the Exchange Act of 1934, as amended, subject to a variety of factors, including, but not limited to, the level of cash balances, credit availability, debt covenant restrictions, general business conditions, regulatory requirements, the market price of the Company's stock, the dividend policy and the availability of alternative investment opportunities.

Total cash dividends paid in fiscal 2017 and 2016 were $36.8 million and $19.8 million, respectively. In January 2018, the Company's Board of Directors approved a plan to increase the annual dividend to $0.88 per share, or $0.22 per share quarterly, beginning in the first quarter of 2018. The declared $0.22 first quarter cash dividend on common shares outstanding, or an aggregate of $10.3 million based on December 31, 2017 share counts, will be paid on February 28, 2018 to stockholders of record as of February 14, 2018. On an annualized basis, this represents aggregate dividends of $41.2 million based on December 31, 2017 share counts as compared to aggregate dividends of $36.8 million in fiscal 2017. The declaration and payment of cash dividends in the future (quarterly or otherwise) will be made by the Board of Directors, from time to time, subject to the Company's financial condition, results of operations, business requirements, compliance with legal requirements and debt covenant restrictions.

Non-GAAP Financial Information

The Company uses certain financial calculations such as adjusted net income, adjusted net income per share, EBITDA, adjusted EBITDA, free cash flow, adjusted free cash flow and constant currency results (as defined or explained below) as factors in the measurement and evaluation of the Company's operating performance and period-over-period growth. The Company derives these financial calculations on the basis of methodologies other than GAAP, primarily by excluding from a comparable GAAP measure certain items the Company does not consider to be representative of its actual operating performance. These financial calculations are "non-GAAP financial measures" as defined in SEC rules. The Company uses these non-GAAP financial measures in operating its business because management believes they are less susceptible to variances in actual operating performance that can result from the excluded items, other infrequent charges and currency fluctuations. The Company presents these financial measures to investors because management believes they are useful to investors in evaluating the primary factors that drive the Company's operating performance and because management believes they provide greater transparency into the Company's results of operations. However, items that are excluded and other adjustments and assumptions that are made in calculating adjusted net income, adjusted net income per share, EBITDA, adjusted EBITDA, free cash flow, adjusted free cash flow and constant currency results are significant components in understanding and assessing the Company's financial performance. These non-GAAP financial measures should be evaluated in conjunction with, and are not a substitute for, the Company's GAAP financial measures. Further, because these non-GAAP financial measures are not determined in accordance with GAAP and are thus susceptible to varying calculations, adjusted net income, adjusted net income per share, EBITDA, adjusted EBITDA, free cash flow, adjusted free cash flow and constant currency results, as presented, may not be comparable to other similarly titled measures of other companies.

The Company has adjusted the applicable financial measures to exclude, among other expenses and benefits, Merger related expenses because it generally would not incur such costs and expenses as part of its continuing operations. The Merger related expenses are predominantly incremental costs directly associated with the Merger and integration of Cash America, including professional fees, legal expenses, severance and retention payments, accelerated vesting of certain equity compensation awards, contract breakage costs and costs related to consolidation of technology systems and corporate facilities.

Table of Contents

Adjusted Net Income and Adjusted Net Income Per Share

Management believes the presentation of adjusted net income and adjusted net income per share ("Adjusted Income Measures") provides investors with greater transparency and provides a more complete understanding of the Company's financial performance and prospects for the future by excluding items management believes are non-operating in nature and not representative of the Company's core operating performance. In addition, management believes the adjustments shown below are useful to investors in order to allow them to compare the Company's financial results for the current periods presented with the prior periods presented.

The following table provides a reconciliation between the net income and diluted earnings per share calculated in accordance with GAAP to the Adjusted Income Measures, which are shown net of tax (unaudited, in thousands, except per share amounts):

	Year Ended December 31,					
	2017		2016		2015	
	In Thousands	Per Share	In Thousands	Per Share	In Thousands	Per Share
Net income, as reported	$143,892	$3.00	$60,127	$1.72	$60,710	$2.14
Adjustments, net of tax:						
Merger and other acquisition expenses:						
Transaction	—	—	14,399	0.41	—	—
Severance and retention	2,456	0.05	9,594	0.27	—	—
Other	3,254	0.07	2,030	0.06	1,989	0.07
Total Merger and other acquisition expenses	5,710	0.12	26,023	0.74	1,989	0.07
Net tax benefit from Tax Act	(27,269)	(0.57)	—	—	—	—
Loss on extinguishment of debt	8,892	0.19	—	—	—	—
Net gain on sale of common stock of Enova	—	—	(818)	(0.02)	—	—
Restructuring expenses related to U.S. consumer loan operations	—	—	—	—	5,784	0.21
Adjusted net income	$131,225	$2.74	$85,332	$2.44	$68,483	$2.42

Table of Contents

The following table provides a reconciliation of the gross amounts, the impact of income taxes and the net amounts for each of the adjustments included in the table above (unaudited, in thousands):

	Year Ended December 31,								
	2017			2016			2015		
	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax
Merger and other acquisition expenses [(1)]	$9,062	$3,352	$5,710	$36,670	$10,647	$26,023	$2,875	$886	$ 1,989
Net tax benefit from Tax Act	—	27,269	(27,269)	—	—	—	—	—	—
Loss on extinguishment of debt	14,114	5,222	8,892	—	—	—	—	—	—
Net gain on sale of common stock of Enova	—	—	—	(1,299)	(481)	(818)	—	—	—
Restructuring expenses related to U.S. consumer loan operations	—	—	—	—	—	—	8,878	3,094	5,784
Total adjustments	$23,176	$35,843	$(12,667)	$35,371	$10,166	$25,205	$11,753	$3,980	$ 7,773

(1) Resulting tax benefit for fiscal 2016 is less than the statutory rate as a portion of the transaction costs were not deductible for tax purposes. See Note 4 of Notes to Consolidated Financial Statements for further information.

Table of Contents

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and Adjusted EBITDA

The Company defines EBITDA as net income before income taxes, depreciation and amortization, interest expense and interest income and adjusted EBITDA as EBITDA adjusted for certain items as listed below that management considers to be non-operating in nature and not representative of its actual operating performance. The Company believes EBITDA and adjusted EBITDA are commonly used by investors to assess a company's financial performance and adjusted EBITDA is used in the calculation of the Net Debt Ratio as defined in the Company's senior notes covenants. The following table provides a reconciliation of net income to EBITDA and adjusted EBITDA (unaudited, dollars in thousands):

	Year Ended December 31,		
	2017	2016	2015
Net income	$143,892	$60,127	$60,710
Income taxes	28,420	33,320	26,971
Depreciation and amortization [1]	55,233	31,865	17,446
Interest expense	24,035	20,320	16,887
Interest income	(1,597)	(751)	(1,566)
EBITDA	249,983	144,881	120,448
Adjustments:			
Merger and other acquisition expenses	9,062	36,670	2,875
Loss on extinguishment of debt	14,114	—	—
Net gain on sale of common stock of Enova	—	(1,299)	—
Restructuring expenses related to U.S. consumer loan operations	—	—	8,878
Adjusted EBITDA	$273,159	$180,252	$132,201
Net Debt Ratio calculated as follows:			
Total debt (outstanding principal)	$407,000	$460,000	$258,000
Less: cash and cash equivalents	(114,423)	(89,955)	(86,954)
Net debt	$292,577	$370,045	$171,046
Adjusted EBITDA	$273,159	$180,252	$132,201
Net Debt Ratio	1.1 :1	2.1 :1	1.3 :1

(1) For fiscal 2015, excludes $0.5 million of depreciation and amortization, which is included in the restructuring expenses related to U.S. consumer loan operations.

Free Cash Flow and Adjusted Free Cash Flow

For purposes of its internal liquidity assessments, the Company considers free cash flow and adjusted free cash flow. The Company defines free cash flow as cash flow from operating activities less purchases of property and equipment and net fundings/repayments of pawn and consumer loans, which are considered to be operating in nature by the Company but are included in cash flow from investing activities, and adjusted free cash flow as free cash flow adjusted for Merger related expenses paid that management considers to be non-operating in nature. Free cash flow and adjusted free cash flow are commonly used by investors as an additional measure of cash generated by business operations that may be used to repay scheduled debt maturities and debt service or, following payment of such debt obligations and other non-discretionary items, may be available to invest in future growth through new business development activities or acquisitions, repurchase stock, pay cash dividends or repay debt obligations prior to their maturities. These metrics can also be used to evaluate the Company's ability to generate cash flow from business operations and the impact that this cash flow has on the Company's liquidity. However, free cash flow and adjusted free cash flow have limitations as analytical tools and should not be considered in isolation or as a substitute for cash flow from operating activities or other income statement data prepared in accordance with GAAP. The following table reconciles net cash flow from operating activities to free cash flow and adjusted free cash flow (unaudited, in thousands):

Table of Contents

	Year Ended December 31,		
	2017	2016	2015
Cash flow from operating activities	$220,357	$96,854	$92,749
Cash flow from investing activities:			
Loan receivables, net of cash repayments	40,735	(16,072)	(3,716)
Purchases of property and equipment [(1)]	(37,135)	(33,863)	(21,073)
Free cash flow	223,957	46,919	67,960
Merger related expenses paid, net of tax benefit	6,659	20,939	—
Adjusted free cash flow	$230,616	$67,858	$67,960

(1) Includes $11.2 million, $13.4 million and $3.6 million of real estate expenditures primarily at existing stores for the twelve months ended December 31, 2017, 2016 and 2015, respectively.

Constant Currency Results

The Company's reporting currency is the U.S. dollar. However, certain performance metrics discussed in this report are presented on a "constant currency" basis, which is considered a non-GAAP measurement of financial performance. The Company's management uses constant currency results to evaluate operating results of business operations in Latin America, which are primarily transacted in local currencies.

The Company believes constant currency results provide investors with valuable supplemental information regarding the underlying performance of its business operations in Latin America, consistent with how the Company's management evaluates such performance and operating results. Constant currency results reported herein are calculated by translating certain balance sheet and income statement items denominated in local currencies using the exchange rate from the prior-year comparable period, as opposed to the current comparable period, in order to exclude the effects of foreign currency rate fluctuations for purposes of evaluating period-over-period comparisons. Business operations in Mexico and Guatemala are transacted in Mexican pesos and Guatemalan quetzales, respectively. The Company also has operations in El Salvador where the reporting and functional currency is the U.S. dollar. See the Latin America operations segment tables in "—Results of Operations" above for an additional reconciliation of certain constant currency amounts to as reported GAAP amounts.

Contractual Commitments

A tabular disclosure of contractual obligations at December 31, 2017 is as follows (in thousands):

	Payments Due by Period				
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
Operating leases	$367,596	$102,299	$151,995	$73,648	$39,654
Revolving unsecured credit facility [(1)]	107,000	—	—	107,000	—
Senior unsecured notes	300,000	—	—	—	300,000
Interest on senior unsecured notes	104,813	16,125	32,250	32,250	24,188
Employment contracts	14,153	3,425	6,713	4,015	—
Total	$893,562	$121,849	$190,958	$216,913	$363,842

(1) Excludes interest obligations under the Company's revolving unsecured credit facility. See Note 10 of Notes to Consolidated Financial Statements.

Off-Balance Sheet Arrangements

The Company offers a fee-based credit services organization program to assist consumers in obtaining extensions of credit. The Company’s stand-alone consumer loan stores and select pawn stores in the states of Texas and Ohio offer the CSO Programs. The Company’s CSO Programs comply with the respective jurisdiction’s credit services organization act, credit access business law or a similar statute. Under the CSO Programs, the Company assists customers in applying for a short-term extension of credit from the Independent Lenders and issues the Independent Lenders a guarantee for the repayment of the extension of credit.

Table of Contents

For extension of credit products originated by the Independent Lenders, the Independent Lenders are responsible for evaluating each of its customers' applications, determining whether to approve an extension of credit based on an application and determining the amount of the extension of credit. The Company is not involved in the Independent Lenders' extension of credit approval processes or in determining the Independent Lenders' approval procedures or criteria. At December 31, 2017, the outstanding amount of active extensions of credit originated and held by the Independent Lenders was $9.7 million.

Since the Company may not be successful in collection of delinquent accounts under the CSO Programs, the Company's consumer loan loss provision includes amounts estimated to be adequate to absorb credit losses from extensions of credit in the aggregate consumer loan portfolio, including those expected to be assigned to the Company or acquired by the Company as a result of its guaranty obligations. Estimated losses of $0.4 million on portfolios owned by the Independent Lenders are included in accounts payable and accrued liabilities in the consolidated balance sheet as of December 31, 2017. The Company believes this amount is adequate to absorb credit losses from extensions of credit expected to be assigned to the Company or acquired by the Company as a result of its guaranty obligations.

Inflation

The Company does not believe inflation has had a material effect on the volume of customer loans originated, merchandise sales, or results of operations.

Seasonality

The Company's business is subject to seasonal variations and operating results for each quarter and year-to-date periods are not necessarily indicative of the results of operations for the full year. Typically, the Company experiences seasonal growth of service fees in the third and fourth quarter of each year due to loan balance growth. Service fees generally decline in the first and second quarter of each year after the heavy repayment period of pawn and consumer loans associated with statutory bonuses received by customers in the fourth quarter in Mexico and with tax refund proceeds received by customers in the first quarter in the U.S. Retail sales are seasonally higher in the fourth quarter associated with holiday shopping, and to a lesser extent, in the first quarter associated with tax refunds.

Recent Accounting Pronouncements

See discussion in Note 2 of Notes to Consolidated Financial Statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risks relating to the Company's operations result primarily from changes in interest rates, gold prices and foreign currency exchange rates. The Company does not engage in speculative or leveraged transactions, nor does it hold or issue financial instruments for trading purposes.

Gold Price Risk

The Company has significant holdings of gold in the form of jewelry inventories and pawn collateral and a significant portion of retail merchandise sales are gold jewelry as are most of the wholesale scrap jewelry sales. At December 31, 2017, the Company held approximately $141.2 million in jewelry inventories, representing 51% of total inventory. In addition, approximately $193.1 million, or 56%, of total pawn loans were collateralized by jewelry, which was primarily gold. Of the Company's total retail merchandise revenue during fiscal 2017, approximately $325.8 million, or 31%, was jewelry sales. During fiscal 2017, the average market price of gold increased by 1%, from $1,251 to $1,257 per ounce. A significant and sustained decline in the price of gold would negatively impact the value of jewelry inventories held by the Company and the value of gold jewelry pledged as collateral by pawn customers. As a result, the Company's profit margins from the sale of existing jewelry inventories would be negatively impacted, as would the potential profit margins on gold jewelry currently pledged as collateral by pawn customers in the event it was forfeited by the customer. In addition, a decline in gold prices could result in a lower balance of pawn loans outstanding for the Company, as customers would receive lower loan amounts for individual pieces of pledged gold jewelry. The Company believes that many customers would be willing to add additional items of value to their pledge in order to obtain the desired loan amount, thus mitigating a portion of this risk.

Table of Contents

Foreign Currency Risk

The financial statements of the Company's subsidiaries in Mexico and Guatemala are translated into U.S. dollars using period-end exchange rates for assets and liabilities and average exchange rates for revenues and expenses. Adjustments resulting from translating net assets are reported as a separate component of accumulated other comprehensive income (loss) within stockholders' equity under the caption, currency translation adjustment. Exchange rate gains or losses related to foreign currency transactions are recognized as transaction gains or losses in the Company's income statement as incurred. The Company also has operations in El Salvador where the reporting and functional currency is the U.S. dollar.

Latin America revenues and cost of revenues account for 27% and 28%, respectively, of consolidated amounts for the year ended December 31, 2017. The majority of Latin America revenues and a smaller portion of expenses are denominated in currencies other than the U.S. dollar and the Company therefore has foreign currency risk related to these currencies, which are primarily the Mexican peso, and to a much lesser extent, the Guatemalan quetzal.

Accordingly, changes in exchange rates, and in particular a weakening of foreign currencies relative to the U.S. dollar, may negatively affect the Company's revenue and earnings of its Latin America operations as expressed in U.S. dollars. For the year ended December 31, 2017, the Company's Latin America revenues and pre-tax operating income would have been approximately $6.1 million and $1.5 million higher, respectively, had foreign currency exchange rates remained consistent with those for the year ended December 31, 2016. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations" for further discussion of Latin America constant currency results.

The Company does not typically use foreign exchange contracts or derivatives to hedge any foreign currency exposures. The volatility of exchange rates depends on many factors that it cannot forecast with reliable accuracy. The Company's continued Latin America expansion increases exposure to exchange rate fluctuations and, as a result, such fluctuations could have a significant impact on future results of operations. The average value of the Mexican peso to the U.S. dollar exchange rate for fiscal 2017 was 18.9 to 1, compared to 18.7 to 1 in fiscal 2016 and 15.8 to 1 in fiscal 2015. It is anticipated that for 2018 a one point change in the average Mexican peso to the U.S. dollar exchange rate will impact annual earnings by approximately $3.7 million to $4.6 million.

The average value of the Guatemalan quetzal to the U.S. dollar exchange rate for fiscal 2017 was 7.4 to 1, compared to 7.6 to 1 in fiscal 2016 and 7.7 to 1 in fiscal 2015.

Interest Rate Risk

The Company is potentially exposed to market risk in the form of interest rate risk in regards to its long-term line of credit. At December 31, 2017, the Company had $107.0 million outstanding under its revolving line of credit. The revolving line of credit is generally priced with a variable rate based on a 1 week or 1, 2, 3 or 6 month LIBOR plus a fixed spread. Based on the average outstanding indebtedness during fiscal 2017, a 1% (100 basis points) increase in interest rates would have increased the Company's interest expense by approximately $1.6 million for fiscal 2017.

Interest rate fluctuations will generally not affect the Company's future earnings or cash flows on its fixed rate debt unless such instruments mature or are otherwise terminated. However, interest rate changes will affect the fair value of the Company's fixed rate instruments. At December 31, 2017, the fair value of the Company's fixed rate debt was approximately $314.0 million and the outstanding principal of the Company's fixed rate debt was $300.0 million. The fair value estimate of the Company's fixed rate debt was estimated based on a discounted cash flow analysis using a discount rate representing the Company's estimate of the rate that would be used by market participants. Changes in assumptions or estimation methodologies may have a material effect on this estimated fair value. As the Company expects to hold its fixed rate instruments to maturity and the amounts due under such instruments would be limited to the outstanding principal balance and any accrued and unpaid interest, the Company does not expect that fluctuations in interest rates, and the resulting change in fair value of its fixed rate instruments, would have a significant impact on the Company’s operations.

The Company’s cash and cash equivalents are sometimes invested in money market accounts. Accordingly, the Company is subject to changes in market interest rates. However, the Company does not believe a change in these rates would have a material adverse effect on the Company’s operating results, financial condition, or cash flows.

Table of Contents

Item 8. Financial Statements and Supplementary Data

The financial statements prepared in accordance with Regulation S-X are included in a separate section of this report. See the index to Financial Statements at Item 15(a)(1) and (2) of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company’s management, under the supervision and with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) under the Exchange Act) as of December 31, 2017 (the “Evaluation Date”). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, the Company’s disclosure controls and procedures were effective.

Limitations on Effectiveness of Controls and Procedures

The Company’s management, including its Chief Executive Officer and Chief Financial Officer, does not expect the Company’s disclosure controls and procedures or internal controls will prevent all possible error and fraud. The Company’s disclosure controls and procedures are, however, designed to provide reasonable assurance of achieving their objectives, and the Company’s Chief Executive Officer and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures are effective at that reasonable assurance level.

Management’s Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of the Company’s internal control over financial reporting. Internal control over financial reporting (as defined in Rules 13a-15(f) and 15d(f) under the Exchange Act) is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with GAAP. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, (3) provide reasonable assurance that receipts and expenditures are being made only in accordance with appropriate authorization of management and the board of directors, and (4) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations, therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, management has assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2017. To make this assessment, management used the criteria for effective internal control over financial reporting described in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring

Organizations of the Treadway Commission. Based on this assessment, management concludes that, as of December 31, 2017, the Company's internal control over financial reporting is effective based on those criteria.

The Company's internal control over financial reporting as of December 31, 2017, has been audited by RSM US LLP, the independent registered public accounting firm that audited the Company's financial statements included in this report, and RSM's attestation report is included below.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
FirstCash, Inc.

Opinion on the Internal Control Over Financial Reporting
We have audited FirstCash, Inc. and its subsidiaries (the Company) internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the two years in the period ended December 31, 2017 and the related notes to the consolidated financial statements of the Company and our report dated February 20, 2018 expressed an unqualified opinion.

Basis for Opinion
The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ RSM US LLP

Dallas, Texas
February 20, 2018

Table of Contents

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 to this Annual Report on Form 10-K with respect to the directors, executive officers and compliance with Section 16(a) of the Exchange Act is incorporated herein by reference from the information provided under the headings “Election of Directors,” “Executive Officers,” “Corporate Governance, Board Matters and Director Compensation” and “Section 16(a) Beneficial Ownership Reporting Compliance,” contained in the Company’s Proxy Statement to be filed with the SEC in connection with the solicitation of proxies for the Company’s 2018 Annual Meeting of Stockholders to be held on or about May 29, 2018 (the “2018 Proxy Statement”).

The Company has adopted a Code of Ethics that applies to all of its directors, officers, and employees. This Code of Ethics is publicly available on the Company’s website at www.firstcash.com. The Company intends to disclose future amendments to, or waivers from, certain provisions of its Code of Ethics on its website in accordance with applicable NYSE and SEC requirements. Copies of the Company’s Code of Ethics are also available, free of charge, by submitting a written request to FirstCash, Inc., Investor Relations, 1600 West 7th Street, Fort Worth, Texas 76102.

Item 11. Executive Compensation

The information required by Item 11 to this Annual Report on Form 10-K is incorporated herein by reference from the information provided under the headings “Executive Compensation” and “Compensation Committee Interlocks and Insider Participation” of the 2018 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 to this Annual Report on Form 10-K is incorporated herein by reference from the information provided under the heading “Equity Compensation Plan Information” and “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” of the 2018 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 to this Annual Report on Form 10-K is incorporated herein by reference from the information provided under the headings “Certain Relationships and Related Person Transactions” and “Corporate Governance, Board Matters and Director Compensation” of the 2018 Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information required by Item 14 to this Annual Report on Form 10-K is incorporated herein by reference from the information provided under the heading “Ratification of Independent Registered Public Accounting Firm” of the 2018 Proxy Statement.

Table of Contents

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

(1) Consolidated Financial Statements:

(2) All schedules are omitted because they are not applicable or the required information is shown in the financial statements or the notes thereto.

(3) Exhibits:

Exhibit No.	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed Herewith
2.1	Agreement and Plan of Merger, dated as of April 28, 2016, by and among First Cash Financial Services, Inc., Frontier Merger Sub, LLC and Cash America International, Inc.*	8-K	0-19133	2.1	04/29/2016	
3.1	Amended and Restated Certificate of Incorporation	DEF 14A	0-19133	B	04/29/2004	
3.2	Amendment to Amended and Restated Certificate of Incorporation	8-K	001-10960	3.1	09/02/2016	
3.3	Amended and Restated Bylaws	8-K	001-10960	3.2	09/02/2016	
4.1	Common Stock Specimen	S-1	33-48436	4.2a	06/05/1992	
4.2	Indenture, dated as of March 24, 2014, by and among First Cash Financial Services, Inc., the guarantors listed therein and BOKF, NA, dba Bank of Texas (including the form of Note attached as an exhibit thereto)	8-K	0-19133	4.1	03/25/2014	
4.3	Indenture, dated as of May 30, 2017, by and among FirstCash, Inc., the guarantors listed therein and BOKF, NA (including the form of Note attached as an exhibit thereto)	8-K	001-10960	4.1	05/31/2017	
4.4	Third Supplemental Indenture, dated as of May 30, 2017, to Indenture dated as of March 24, 2014, by and among FirstCash, Inc., the guarantors listed therein and BOKF, NA	8-K	001-10960	4.2	05/31/2017	
10.1	First Cash Financial Services, Inc. 2004 Long-Term Incentive Plan **	DEF 14A	0-19133	C	04/29/2004	
10.2	First Cash Financial Services, Inc. 2011 Long-Term Incentive Plan **	DEF 14A	0-19133	A	04/28/2011	
10.3	Amendment to the FirstCash, Inc. 2011 Long-Term Incentive Plan **	S-8	333-214452	99.2	11/04/2016	

10.4	First Cash 401(k) Profit Sharing Plan, as amended effective as of October 1, 2010 (executed on August 5, 2010)	S-8	333-106881	4(g)	05/31/2012

Table of Contents

Exhibit No.	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed Herewith
10.5	Amended and Restated Credit Agreement, dated July 25, 2016, between First Cash Financial Services, Inc., Certain Subsidiaries of the Borrower From Time to Time Party Thereto, the Lenders Party Thereto, and Wells Fargo Bank, National Association	8-K	0-19133	10.1	07/26/2016	
10.6	Employment Agreement between Rick L. Wessel and First Cash Financial Services, Inc., dated August 26, 2016 **	8-K	0-19133	10.1	08/26/2016	
10.7	Employment Agreement between T. Brent Stuart and First Cash Financial Services, Inc., dated August 26, 2016 **	8-K	0-19133	10.2	08/26/2016	
10.8	Employment Agreement between R. Douglas Orr and First Cash Financial Services, Inc., dated August 26, 2016 **	8-K	0-19133	10.3	08/26/2016	
10.9	Performance-Based Restricted Stock Unit Award Agreement **	10-Q	001-10960	10.1	05/05/2017	
10.10	First Amendment to Amended and Restated Credit Agreement and Waiver, dated May 30, 2017, between FirstCash, Inc., certain subsidiaries of the borrower from time to time party thereto, the lenders party thereto, and Wells Fargo Bank, National Association	8-K	001-10960	10.1	05/31/2017	
16.1	Letter from Hein & Associates LLP to the Securities and Exchange Commission dated August 29, 2016	8-K	0-19133	16.1	08/30/2016	
21.1	Subsidiaries					X
23.1	Consent of Independent Registered Public Accounting Firm, RSM US LLP					X
23.2	Consent of Independent Registered Public Accounting Firm, Hein & Associates LLP					X
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act provided by Rick L. Wessel, Chief Executive Officer					X
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act provided by R. Douglas Orr, Chief Financial Officer					X
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 provided by Rick L. Wessel, Chief Executive Officer					X
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 provided by R. Douglas Orr, Chief Financial Officer					X

Table of Contents

Exhibit No.	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed Herewith
101 [(1)]	The following financial information from the Company's Annual Report on Form 10-K for fiscal 2017, filed with the SEC on February 20, 2018, is formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets at December 31, 2017 and December 31, 2016, (ii) Consolidated Statements of Income for the years ended December 31, 2017, December 31, 2016 and December 31, 2015, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2017, December 31, 2016 and December 31, 2015, (iv) Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2017, December 31, 2016 and December 31, 2015, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2017, December 31, 2016 and December 31, 2015, and (vi) Notes to Consolidated Financial Statements.					X

* The schedules to the Agreement and Plan of Merger have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. Registrant will furnish copies of such schedules to the U.S. Securities and Exchange Commission upon request by the Commission.

** Indicates management contract or compensatory plan, contract or arrangement.

(1) The XBRL related information in Exhibit 101 to this Annual Report on Form 10-K shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

Item 16. Form 10-K Summary

None.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: February 20, 2018	FIRSTCASH, INC. (Registrant)
	/s/ RICK L. WESSEL Rick L. Wessel Chief Executive Officer (On behalf of the Registrant)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ RICK L. WESSEL Rick L. Wessel	Vice-Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	February 20, 2018
/s/ R. DOUGLAS ORR R. Douglas Orr	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 20, 2018
/s/ DANIEL R. FEEHAN Daniel R. Feehan	Chairman of the Board	February 20, 2018
/s/ DANIEL E. BERCE Daniel E. Berce	Director	February 20, 2018
/s/ MIKEL D. FAULKNER Mikel D. Faulkner	Director	February 20, 2018
/s/ JAMES H. GRAVES James H. Graves	Director	February 20, 2018
/s/ JORGE MONTAÑO Jorge Montaño	Director	February 20, 2018
/s/ RANDEL G. OWEN Randel G. Owen	Director	February 20, 2018

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of FirstCash, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of FirstCash, Inc., and subsidiaries (the Company) as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the two years in the period ended December 31, 2017, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated February 20, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ RSM US LLP

We have served as the Company's auditor since 2016.

Dallas, Texas
February 20, 2018

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
FirstCash, Inc.

We have audited the accompanying consolidated statements of income, comprehensive income, stockholders' equity, and cash flows of First Cash Financial Services, Inc. and subsidiaries (collectively the "Company") for the year ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated results of operations and cash flows of First Cash Financial Services, Inc. and subsidiaries for the year ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

/s/ Hein & Associates LLP

Dallas, Texas
February 17, 2016

Table of Contents

FIRSTCASH, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	December 31, 2017	2016
ASSETS		
Cash and cash equivalents	$114,423	$89,955
Fees and service charges receivable	42,736	41,013
Pawn loans	344,748	350,506
Consumer loans, net	23,522	29,204
Inventories	276,771	330,683
Income taxes receivable	19,761	25,510
Prepaid expenses and other current assets	20,236	25,264
Total current assets	842,197	892,135
Property and equipment, net	230,341	236,057
Goodwill	831,145	831,151
Intangible assets, net	93,819	104,474
Other assets	54,045	71,679
Deferred tax assets	11,237	9,707
Total assets	$2,062,784	$2,145,203
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued liabilities	$84,331	$109,354
Customer deposits	32,019	33,536
Income taxes payable	4,221	738
Total current liabilities	120,571	143,628
Revolving unsecured credit facility	107,000	260,000
Senior unsecured notes	295,243	196,545
Deferred tax liabilities	47,037	61,275
Other liabilities	17,600	33,769
Total liabilities	587,451	695,217
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock; $0.01 par value; 10,000 shares authorized; no shares issued or outstanding	—	—
Common stock; $0.01 par value; 90,000 shares authorized; 49,276 and 49,276 shares issued, respectively; 46,914 and 48,507 shares outstanding, respectively	493	493
Additional paid-in capital	1,220,356	1,217,969
Retained earnings	494,457	387,401
Accumulated other comprehensive loss	(111,877)	(119,806)
Common stock held in treasury, 2,362 and 769 shares at cost, respectively	(128,096)	(36,071)
Total stockholders' equity	1,475,333	1,449,986
Total liabilities and stockholders' equity	$2,062,784	$2,145,203

The accompanying notes are an integral part
of these consolidated financial statements.

Table of Contents

FIRSTCASH, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)

	Year Ended December 31,		
	2017	2016	2015
Revenue:			
Retail merchandise sales	$1,051,099	$669,131	$449,296
Pawn loan fees	510,905	312,757	195,448
Wholesale scrap jewelry sales	140,842	62,638	32,055
Consumer loan and credit services fees	76,976	43,851	27,803
Total revenue	1,779,822	1,088,377	704,602
Cost of revenue:			
Cost of retail merchandise sold	679,703	418,556	278,631
Cost of wholesale scrap jewelry sold	132,794	53,025	27,628
Consumer loan and credit services loss provision	19,819	11,993	7,159
Total cost of revenue	832,316	483,574	313,418
Net revenue	947,506	604,803	391,184
Expenses and other income:			
Store operating expenses	551,874	328,014	207,572
Administrative expenses	122,473	96,537	51,883
Depreciation and amortization	55,233	31,865	17,939
Interest expense	24,035	20,320	16,887
Interest income	(1,597)	(751)	(1,566)
Merger and other acquisition expenses	9,062	36,670	2,875
Loss on extinguishment of debt	14,114	—	—
Net gain on sale of common stock of Enova	—	(1,299)	—
Goodwill impairment - U.S. consumer loan operations	—	—	7,913
Total expenses and other income			