

CASH AMERICA INTERNATIONAL INC

Form 10-Q

October 26, 2007

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q**

(Mark One)

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

**For the quarterly period ended September 30, 2007**

**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 1-9733**

(Exact name of registrant as specified in its charter)

**Texas**

(State or other jurisdiction of  
incorporation or organization)

**75-2018239**

(I.R.S. Employer  
Identification No.)

**1600 West 7<sup>th</sup> Street  
Fort Worth, Texas**

(Address of principal executive offices)

**76102**

(Zip Code)

(817) 335-1100

(Registrant's telephone number, including area code)

NONE

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):  
Large accelerated filer  Accelerated filer  Non-accelerated filer

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

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

29,202,886 common shares, \$.10 par value, were outstanding as of October 16, 2007

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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
*(in thousands, except share data)*

|  | September 30,<br>2007 | September 30,<br>2006 | December<br>31,<br>2006 |
|--|-----------------------|-----------------------|-------------------------|
|  | (Unaudited)           |                       |                         |
| <b>Assets</b>  |                       |                       |                         |
| Current assets:  |                       |                       |                         |
| Cash and cash equivalents  | \$ 26,412             | \$ 30,241             | \$ 25,723               |
| Pawn loans   | 136,722               | 133,734               | 127,384                 |
| Cash advances, net   | 82,785                | 70,253                | 79,975                  |
| Merchandise held for disposition, net  | 98,751                | 83,179                | 87,060                  |
| Finance and service charges receivable   | 25,528                | 23,846                | 25,377                  |
| Other receivables and prepaid expenses   | 15,349                | 11,539                | 16,128                  |
| Deferred tax assets  | 22,455                | 14,657                | 16,324                  |
| <br>   |                       |                       |                         |
| Total current assets   | 408,002               | 367,449               | 377,971                 |
| Property and equipment, net  | 147,813               | 110,983               | 119,261                 |
| Goodwill   | 283,554               | 193,379               | 238,499                 |
| Intangible assets, net   | 24,569                | 27,078                | 27,477                  |
| Other assets   | 3,017                 | 12,296                | 13,036                  |
| <br>   |                       |                       |                         |
| Total assets   | \$ 866,955            | \$ 711,185            | \$ 776,244              |
| <br>   |                       |                       |                         |
| <b>Liabilities and Stockholders Equity</b>   |                       |                       |                         |
| Current liabilities:   |                       |                       |                         |
| Accounts payable and accrued expenses  | \$ 104,784            | \$ 52,045             | \$ 91,217               |
| Customer deposits  | 8,211                 | 7,470                 | 7,464                   |
| Income taxes currently payable   | 16                    | 2,456                 | 2,691                   |
| Current portion of long-term debt  | 12,786                | 16,786                | 16,786                  |
| <br>   |                       |                       |                         |
| Total current liabilities  | 125,797               | 78,757                | 118,158                 |
| Deferred tax liabilities   | 15,854                | 11,688                | 12,770                  |
| Other liabilities  | 1,621                 | 1,578                 | 1,625                   |
| Long-term debt   | 251,427               | 200,617               | 202,963                 |
| <br>   |                       |                       |                         |
| Total liabilities  | 394,699               | 292,640               | 335,516                 |
| <br>   |                       |                       |                         |
| Stockholders equity:   |                       |                       |                         |
| Common stock, \$.10 par value per share, 80,000,000 shares<br>authorized, 30,235,164 shares issued | 3,024                 | 3,024                 | 3,024                   |
| Additional paid-in capital   | 162,837               | 160,234               | 161,683                 |
| Retained earnings  | 337,909               | 267,004               | 287,962                 |
| Accumulated other comprehensive income (loss)  | (4)                   | 21                    | 20                      |

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|  |            |            |    |          |
|--|------------|------------|----|----------|
| Notes receivable secured by common stock   |            | (382)      |    | (18)     |
| Treasury shares, at cost (1,088,493 shares, 682,800 shares and 565,840 shares at September 30, 2007 and 2006, and December 31, 2006, respectively) | (31,510)   | (11,356)   |    | (11,943) |
| Total stockholders' equity   | 472,256    | 418,545    |    | 440,728  |
| Total liabilities and stockholders' equity   | \$ 866,955 | \$ 711,185 | \$ | 776,244  |

*See notes to consolidated financial statements.*

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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
*(in thousands, except per share data)*

|   | Three Months Ended<br>September 30, |                  | Nine Months Ended<br>September 30, |                  |
|---|-------------------------------------|------------------|------------------------------------|------------------|
|   | 2007                                | 2006             | 2007                               | 2006             |
|   | (Unaudited)                         |                  |                                    |                  |
| <b>Revenue</b>                              |                                     |                  |                                    |                  |
| Finance and service charges                 | \$ 41,386                           | \$ 39,404        | \$ 117,011                         | \$ 109,047       |
| Proceeds from disposition of merchandise    | 91,366                              | 74,426           | 277,342                            | 234,172          |
| Cash advance fees                           | 95,417                              | 48,401           | 260,880                            | 123,235          |
| Check cashing fees, royalties and other     | 3,343                               | 3,686            | 13,032                             | 12,346           |
| <b>Total Revenue</b>                        | <b>231,512</b>                      | <b>165,917</b>   | <b>668,265</b>                     | <b>478,800</b>   |
| <b>Cost of Revenue</b>                      |                                     |                  |                                    |                  |
| Disposed merchandise                        | 57,693                              | 46,281           | 172,402                            | 141,909          |
| <b>Net Revenue</b>                          | <b>173,819</b>                      | <b>119,636</b>   | <b>495,863</b>                     | <b>336,891</b>   |
| <b>Expenses</b>                             |                                     |                  |                                    |                  |
| Operations                                  | 74,695                              | 58,263           | 221,672                            | 177,178          |
| Cash advance loss provision                 | 43,612                              | 17,503           | 118,688                            | 32,738           |
| Administration                              | 16,450                              | 13,580           | 43,976                             | 40,447           |
| Depreciation and amortization               | 8,265                               | 6,946            | 23,698                             | 19,802           |
| <b>Total Expenses</b>                       | <b>143,022</b>                      | <b>96,292</b>    | <b>408,034</b>                     | <b>270,165</b>   |
| <b>Income from Operations</b>               | <b>30,797</b>                       | <b>23,344</b>    | <b>87,829</b>                      | <b>66,726</b>    |
| Interest expense                            | (4,378)                             | (3,162)          | (12,119)                           | (8,010)          |
| Interest income                             | 145                                 | 435              | 999                                | 1,202            |
| Foreign currency transaction gain           | 5                                   | 67               | 63                                 | 245              |
| Gain from termination of contract           |                                     |                  |                                    | 2,167            |
| Gain on sale of foreign notes               | 6,260                               |                  | 6,260                              |                  |
| <b>Income before Income Taxes</b>           | <b>32,829</b>                       | <b>20,684</b>    | <b>83,032</b>                      | <b>62,330</b>    |
| Provision for income taxes                  | 12,213                              | 7,743            | 29,973                             | 23,088           |
| <b>Net Income</b>                           | <b>\$ 20,616</b>                    | <b>\$ 12,941</b> | <b>\$ 53,059</b>                   | <b>\$ 39,242</b> |
| <b>Earnings Per Share:</b>                  |                                     |                  |                                    |                  |
| Basic                                       | \$ 0.70                             | \$ 0.44          | \$ 1.78                            | \$ 1.32          |
| Diluted                                     | \$ 0.68                             | \$ 0.42          | \$ 1.74                            | \$ 1.29          |
| Weighted average common shares outstanding: |                                     |                  |                                    |                  |
| Basic                                       | 29,535                              | 29,707           | 29,745                             | 29,652           |
| Diluted                                     | 30,235                              | 30,548           | 30,464                             | 30,515           |
| Dividends declared per common share         | \$ 0.035                            | \$ 0.025         | \$ 0.105                           | \$ 0.075         |

*See notes to consolidated financial statements.*



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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**  
*(in thousands, except share data)*

|  | September 30, |             |            |          |
|--|---------------|-------------|------------|----------|
|  | 2007          |             | 2006       |          |
|  | Shares        | Amounts     | Shares     | Amounts  |
|  |               | (Unaudited) |            |          |
| <b>Common stock</b>                                  |               |             |            |          |
| Balance at end of period                             | 30,235,164    | \$ 3,024    | 30,235,164 | \$ 3,024 |
| <b>Additional paid-in capital</b>                    |               |             |            |          |
| Balance at beginning of year                         |               | 161,683     |            | 156,557  |
| Exercise of stock options                            |               | (1,201)     |            | (813)    |
| Issuance of shares under restricted stock units plan |               | (751)       |            | (353)    |
| Stock-based compensation                             |               | 2,277       |            | 2,057    |
| Income tax benefit from stock based compensation     |               | 829         |            | 2,786    |
| Balance at end of period                             |               | 162,837     |            | 160,234  |
| <b>Retained earnings</b>                             |               |             |            |          |
| Balance at beginning of year                         |               | 287,962     |            | 229,975  |
| Net income   |               | 53,059      |            | 39,242   |
| Dividends declared                                   |               | (3,112)     |            | (2,213)  |
| Balance at end of period                             |               | 337,909     |            | 267,004  |
| <b>Accumulated other comprehensive income (loss)</b> |               |             |            |          |
| Balance at beginning of year                         |               | 20          |            | (5)      |
| Unrealized derivatives (loss) gain                   |               | (20)        |            | 26       |
| Foreign currency translation loss, net of taxes      |               | (4)         |            |          |
| Balance at end of period                             |               | (4)         |            | 21       |
| <b>Notes receivable secured by common stock</b>      |               |             |            |          |
| Balance at beginning of year                         |               | (18)        |            | (2,488)  |
| Payments on notes receivable                         |               | 18          |            | 2,106    |
| Balance at end of period                             |               |             |            | (382)    |
| <b>Treasury shares, at cost</b>                      |               |             |            |          |
| Balance at beginning of year                         | (565,840)     | (11,943)    | (999,347)  | (12,347) |
| Purchases of treasury shares                         | (624,305)     | (22,246)    | (150,321)  | (4,891)  |
| Exercise of stock options                            | 67,154        | 1,928       | 438,126    | 5,529    |
| Issuance of shares under restricted stock units plan | 34,498        | 751         | 28,742     | 353      |

|                            |             |            |           |            |
|----------------------------|-------------|------------|-----------|------------|
| Balance at end of period   | (1,088,493) | (31,510)   | (682,800) | (11,356)   |
| Total Stockholders' Equity |             | \$ 472,256 |           | \$ 418,545 |

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME***(in thousands)*

|  | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|--|-------------------------------------|-----------|------------------------------------|-----------|
|  | 2007                                | 2006      | 2007                               | 2006      |
|  |                                     |           | (Unaudited)                        |           |
| <b>Net income</b>                                      | \$ 20,616                           | \$ 12,941 | \$ 53,059                          | \$ 39,242 |
| <b>Other comprehensive income (loss):</b>              |                                     |           |                                    |           |
| Interest rate cap valuation adjustments                | (1)                                 | (68)      | (20)                               | 41        |
| Foreign currency translation (loss) gain, net of taxes | (11)                                | 24        | (4)                                | (15)      |
| Other comprehensive (loss) income, net                 | (12)                                | (44)      | (24)                               | 26        |
| <b>Total Comprehensive Income</b>                      | \$ 20,604                           | \$ 12,897 | \$ 53,035                          | \$ 39,268 |

*See notes to consolidated financial statements.*

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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(in thousands)*

|   | Nine Months Ended<br>September 30,<br>2007                      2006<br>(Unaudited) |                  |
|---|---|------------------|
| <b>Cash Flows from Operating Activities</b>                                       |   |                  |
| Net income  | \$ 53,059   | \$ 39,242        |
| Adjustments to reconcile net income to net cash provided by operating activities: |   |                  |
| Depreciation and amortization   | 23,698  | 19,802           |
| Cash advance loss provision   | 118,688   | 32,738           |
| Stock-based compensation  | 2,277   | 2,057            |
| Gain from termination of contract   |   | (2,167)          |
| Foreign currency transaction gain   | (62)  | (245)            |
| Gain on sale of foreign notes   | (6,260)   |                  |
| Changes in operating assets and liabilities                                       |   |                  |
| Merchandise held for disposition  | 1,461   | 2,476            |
| Finance and service charges receivable  | (845)   | (1,790)          |
| Prepaid expenses and other assets   | (252)   | 315              |
| Accounts payable and accrued expenses   | 4,159   | 14,270           |
| Customer deposits, net  | 747   | 1,100            |
| Current income taxes  | (1,846)   | 3,793            |
| Excess income tax benefit from stock-based compensation                           | (829)   | (2,786)          |
| Deferred income taxes, net  | (3,036)   | (3,054)          |
| <b>Net cash provided by operating activities</b>                                  | <b>190,959</b>  | <b>105,751</b>   |
| <b>Cash Flows from Investing Activities</b>                                       |   |                  |
| Pawn loans made   | (321,061)   | (297,972)        |
| Pawn loans repaid   | 165,141   | 158,983          |
| Principal recovered through dispositions of forfeited loans                       | 134,840   | 110,532          |
| Cash advances made, assigned or purchased   | (866,873)   | (499,312)        |
| Cash advances repaid  | 746,891   | 456,997          |
| Acquisitions, net of cash acquired  | (38,564)  | (48,931)         |
| Purchases of property and equipment   | (48,883)  | (32,004)         |
| Proceeds from property insurance  | 1,316   | 1,247            |
| Proceeds from termination of contract/sale of assets                              |   | 2,198            |
| Proceeds from sale of foreign notes   | 16,529  |                  |
| <b>Net cash used by investing activities</b>                                      | <b>(210,664)</b>  | <b>(148,262)</b> |
| <b>Cash Flows from Financing Activities</b>                                       |   |                  |
| Net borrowings under bank lines of credit   | 61,250  | 68,194           |
| Payments on notes payable   | (16,786)  | (16,786)         |

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|  |                  |                  |
|--|------------------|------------------|
| Loan costs paid  | (282)            | (12)             |
| Proceeds from exercise of stock options                                  | 727              | 4,716            |
| Excess income tax benefit from stock-based compensation                  | 829              | 2,786            |
| Repayments of notes receivable secured by common stock                   | 18               | 2,106            |
| Treasury shares purchased  | (22,246)         | (4,891)          |
| Dividends paid   | (3,112)          | (2,213)          |
| <b>Net cash provided by financing activities</b>                         | <b>20,398</b>    | <b>53,900</b>    |
| Effect of exchange rates on cash   | (4)              |                  |
| <b>Net increase in cash and cash equivalents</b>                         | <b>689</b>       | <b>11,389</b>    |
| <b>Cash and cash equivalents at beginning of year</b>                    | <b>25,723</b>    | <b>18,852</b>    |
| <b>Cash and cash equivalents at end of period</b>                        | <b>\$ 26,412</b> | <b>\$ 30,241</b> |
| <b>Supplemental Disclosures</b>  |                  |                  |
| <b>Non-cash investing and financing activities</b>                       |                  |                  |
| Pawn loans forfeited and transferred to merchandise held for disposition | \$ 147,529       | \$ 122,443       |
| Pawn loans renewed   | \$ 56,996        | \$ 59,198        |
| Cash advances renewed  | \$ 221,719       | \$ 20,834        |

*See notes to consolidated financial statements.*

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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Significant Accounting Policies**

**Basis of Presentation**

The consolidated financial statements include the accounts of Cash America International, Inc. and its majority-owned subsidiaries (the Company). All significant intercompany accounts and transactions have been eliminated in consolidation.

The financial statements as of September 30, 2007 and 2006 and for the three and nine month periods then ended are unaudited but, in management's opinion, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for such interim periods. Operating results for the three and nine month periods are not necessarily indicative of the results that may be expected for the full fiscal year.

Certain amounts in the consolidated financial statements for the three and nine months ended September 30, 2006 have been reclassified to conform to the presentation format adopted in 2007. These reclassifications have no effect on the net income previously reported.

These financial statements and related notes should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2006 Annual Report to Shareholders.

**Revenue Recognition**

***Pawn Lending*** Pawn loans are made on the pledge of tangible personal property. The Company accrues finance and service charges revenue only on those pawn loans that it deems collectible based on historical loan redemption statistics. Pawn loans written during each calendar month are aggregated and tracked for performance. The gathering of this empirical data allows the Company to analyze the characteristics of its outstanding pawn loan portfolio and estimate the probability of collection of finance and service charges. For loans not repaid, the carrying value of the forfeited collateral (merchandise held for disposition) is stated at the lower of cost (cash amount loaned) or market. Revenue is recognized at the time that merchandise is sold. Interim customer payments for layaway sales are recorded as customer deposits and subsequently recognized as revenue during the period in which the final payment is received.

***Cash Advances*** Cash advances provide customers with cash in exchange for a promissory note or other repayment agreement supported, in most cases, by that customer's personal check or authorization to debit that customer's account via an Automated Clearing House (ACH) transaction for the aggregate amount of the payment due. The customer may repay the cash advance either in cash, or, as applicable, by allowing the check to be presented for collection, or by allowing the customer's checking account to be debited through an ACH for the amount due. The Company accrues fees and interest on cash advances on a constant yield basis ratably over the period of the cash advance, pursuant to its terms. (Although cash advance transactions may take the form of loans or deferred check deposit transactions, the transactions are referred to throughout this discussion as cash advances for convenience.)

The Company provides a cash advance product in some markets under a credit services organization program, in which the Company assists in arranging loans for customers from independent third-party lenders. The Company also guarantees the customer's payment obligations in the event of default if the customer is approved for and accepts the loan. The borrower pays fees to the Company under the credit services organization program (CSO fees) for performing services on the borrower's behalf, including credit services, and for agreeing to guaranty the borrower's payment obligations to the lender. As a result of providing the guaranty, the CSO fees are deferred and amortized over the term of the loan and recorded as cash advance fees in the accompanying consolidated statements of income. The contingent loss on the guaranteed loans is accrued

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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

and recorded as a liability. See Note 4.

***Check Cashing Fees, Royalties and Other*** The Company records check cashing fees derived from both check cashing locations it owns and many of its lending locations in the period in which the check cashing service is provided. It records royalties derived from franchise locations on an accrual basis. Revenues derived from other financial services such as money order commissions, prepaid debit card fees, etc. are recognized when earned.

**Allowance for Losses on Cash Advances**

In order to manage the portfolio of cash advances effectively, the Company utilizes a variety of underwriting criteria, monitors the performance of the portfolio, and maintains either an allowance or accrual for losses.

The Company maintains either an allowance or accrual for losses on cash advances (including fees and interest) at a level that it estimates to be adequate to absorb credit losses inherent in the outstanding combined Company and third-party lender portfolio (the portion owned by independent third-party lenders). The allowance for losses on Company-owned cash advances offsets the outstanding cash advance amounts in the consolidated balance sheets. Active third-party lender-originated cash advances are not included in the consolidated balance sheets. An accrual for contingent losses on third-party lender-owned cash advances that are guaranteed by the Company is maintained and included in Accounts payable and accrued expenses in the consolidated balance sheets.

The Company aggregates and tracks cash advances written during each calendar month to develop a performance history. The Company stratifies the outstanding combined portfolio by age, delinquency, and stage of collection when assessing the adequacy of the allowance or accrual for losses. It uses historical collection performance adjusted for recent portfolio performance trends to develop the expected loss rates used to establish either the allowance or accrual. Increases in either the allowance or accrual are created by recording a cash advance loss provision in the consolidated statements of income. The Company charges off all cash advances that have been in default for 60 days, or sooner if deemed uncollectible. Recoveries on losses previously charged to the allowance are credited to the allowance when collected.

The Company's online distribution channel periodically sells selected cash advances that have been previously written off. Proceeds from these sales are recorded as recoveries on losses previously charged to the allowance for losses.

**Income Taxes**

Beginning January 1, 2007, the Company has accounted for uncertainty in income taxes recognized in the financial statements in accordance with Financial Accounting Standards Board ( FASB ) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ( FIN 48 ). FIN 48 requires that a more-likely-than-not threshold be met before the benefit of a tax position may be recognized in the financial statements and prescribes how such benefit should be measured. It also provides guidance on derecognition, classification, accrual of interest and penalties, accounting in interim periods, disclosure and transition. It requires that the new standard be applied to the balances of assets and liabilities as of the beginning of the period of adoption and that a corresponding adjustment be made to the opening balance of retained earnings. See Note 2.

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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Recent Accounting Pronouncements**

In September 2006, FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ( SFAS 157 ). SFAS 157 defines fair value to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and emphasizes that fair value is a market-based measurement, not an entity-specific measurement. It establishes a fair value hierarchy and expands disclosures about fair value measurements in both interim and annual periods. SFAS 157 will be effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company does not expect SFAS 157 to have a material effect on the Company's consolidated financial position or results of operations.

In February 2007, FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ( SFAS 159 ). SFAS 159 permits entities to choose, at specified election dates, to measure eligible items at fair value (the fair value option ) and requires an entity to report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. Upfront costs and fees related to items for which the fair value option is elected shall be recognized in earnings as incurred and not deferred. SFAS 159 will be effective for fiscal years beginning after November 15, 2007. The Company does not expect SFAS 159 to have a material effect on the Company's consolidated financial position or results of operations.

**2. Income Taxes**

The Company adopted the provisions of FIN 48 on January 1, 2007. As of that date, the Company had no unrecognized tax benefits and thus had accrued no interest or penalties on such benefits, nor did the Company anticipate a significant increase in unrecognized tax benefits during the subsequent 12 months. As of January 1, 2007, the Company's 2003 through 2006 tax years were open to examination by the Internal Revenue Service and major state taxing jurisdictions. There were no material changes in these items during the three and nine months ended September 30, 2007.

While the Company typically does not incur significant interest or penalties on income tax liabilities, it is the Company's policy to classify such amounts as interest expense and administrative expense, respectively. The Company did not change its policy on classification of interest and penalties upon adoption of FIN 48.

**3. Acquisitions**

Pursuant to its business strategy of expanding its reach into new markets with new customers and new financial services, on September 15, 2006, the Company, through its wholly-owned subsidiary Cash America Net Holdings, LLC, purchased substantially all of the assets of The Check Giant LLC ( TCG ). TCG offered short-term cash advances exclusively over the internet under the name CashNetUSA. The Company paid an initial purchase price of approximately \$35.9 million in cash and transaction costs of approximately \$2.9 million, and has continued to use the CashNetUSA trade name in connection with its online operations.

The Company also agreed to pay up to five supplemental earn-out payments during the two-year period after the closing. The amount of each supplemental payment will be based on a multiple of earnings attributable to CashNetUSA's business for the twelve months preceding the date of determining each scheduled supplemental payment. Each supplemental payment will be reduced by amounts previously paid. The supplemental payments are to be paid in cash within 45 days of the payment measurement date. The Company may, at its option, pay up to 25% of each supplemental payment in shares of its common stock based on an average share price as of the measurement date thereby reducing the amount of the cash

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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

payment. Substantially all of these supplemental payments will be accounted for as goodwill.

The first supplemental payment of approximately \$33.8 million, which was paid in February 2007 in cash, was based on the trailing twelve months earnings of CashNetUSA through December 31, 2006 and reflects adjustments for amounts previously paid. There was no supplemental payment due or owed with respect to the trailing twelve months earnings of CashNetUSA as of March 31, 2007. Another supplemental payment is scheduled in November 2007 and will be based on the trailing twelve months earnings of CashNetUSA as of September 30, 2007. As of September 30, 2007, the Company has accrued for the payment of approximately \$43.3 million as an addition to goodwill and accounts payable based on the defined multiple of trailing twelve months earnings through September 30, 2007. Pursuant to the terms of the purchase agreement with CashNetUSA, payments determined at the March 31 and September 30, 2007 measurement dates were calculated at 5.5 times trailing twelve month earnings. Subsequent measurement dates of March 31 and September 30, 2008 will be calculated at 5 times trailing twelve month earnings.

During the nine months ended September 30, 2007, the Company also acquired five pawnshops and made payment on a pawnshop over which it acquired management control in December 2006. The aggregate cash payments for these acquisitions were \$3.7 million.

**4. Cash Advances, Allowance for Losses and Accruals for Losses on Third-Party Lender-Owned Cash Advances**

The Company offers cash advance products through its cash advance locations, most of its pawnshops and over the internet. The cash advance products are generally offered as single payment cash advance loans. These cash advance loans typically have terms of 7 to 45 days and are generally payable on the customer's next payday. The Company originates cash advances in some of its locations and online and arranges for customers to obtain cash advances from independent third-party lenders in other locations and online. In a cash advance transaction, a customer executes a promissory note or other repayment agreement typically supported by that customer's personal check or authorization to debit the customer's checking account via an ACH transaction. Customers may repay the amount due with cash, by allowing their check to be presented for collection, or by allowing their checking account to be debited via an ACH transaction.

The Company provides services in connection with single payment cash advances originated by independent third-party lenders, whereby the Company acts as a credit services organization on behalf of consumers in accordance with applicable state laws (the CSO program). The CSO program includes arranging loans with independent third-party lenders, assisting in the preparation of loan applications and loan documents, and accepting loan payments. To assist the customer in obtaining a loan through the CSO program, the Company also, as part of the credit services it provides to the customer, guarantees, on behalf of the customer, the customer's payment obligations to the third-party lender under the loan. A customer who obtains a loan through the CSO program pays the Company a fee for the credit services, including the guaranty, and enters into a contract with the Company governing the credit services arrangement. Losses on cash advances acquired by the Company as a result of its guaranty obligations are the responsibility of the Company. As of September 30, 2007, the CSO program was offered in Texas and Florida. The Company discontinued the CSO program in Michigan in February 2007, and now offers only cash advances underwritten by the Company to customers in that state.

If the Company collects a customer's delinquent payment in an amount that is less than the amount the Company paid to the third-party lender pursuant to the guaranty, the Company must absorb the shortfall. If the amount collected exceeds the amount paid under the guaranty, the Company is entitled to the excess and recognizes the excess amount in income. Since the Company may not be successful in collecting delinquent amounts, the Company's cash advance loss provision includes amounts estimated to be adequate to absorb credit losses from cash advances in the aggregate cash advance portfolio, including those expected

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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

to be acquired by the Company as a result of its guaranty obligations. The estimated amounts of losses on portfolios owned by the third-party lenders are included in Accounts payable and accrued expenses in the consolidated balance sheets.

Cash advances outstanding at September 30, 2007 and 2006, were as follows (in thousands):

|  | September 30,    |                  |
|--|------------------|------------------|
|  | 2007             | 2006             |
| <i>Funded by the Company</i>                             |                  |                  |
| Active cash advances and fees receivable                 | \$ 69,005        | \$ 54,741        |
| Cash advances and fees in collection                     | 28,817           | 20,146           |
| <b>Total Funded by the Company</b>                       | <b>97,822</b>    | <b>74,887</b>    |
| <i>Purchased by the Company from third-party lenders</i> |                  |                  |
|  | 15,888           | 6,455            |
| Company-owned cash advances and fees receivable, gross   | 113,710          | 81,342           |
| Less: Allowance for losses                               | 30,925           | 11,089           |
| <b>Cash advances and fees receivable, net</b>            | <b>\$ 82,785</b> | <b>\$ 70,253</b> |

Changes in the allowance for losses for the Company-owned portfolio and the accrued loss for the third-party lender-owned portfolio during the three and nine months ended September 30, 2007 and 2006 were as follows (in thousands):

|   | Three Months Ended<br>September 30, |                  | Nine Months Ended<br>September 30 |                  |
|---|-------------------------------------|------------------|-----------------------------------|------------------|
|   | 2007                                | 2006             | 2007                              | 2006             |
| <b>Allowance for company-owned cash advances</b>          |                                     |                  |                                   |                  |
| Balance at beginning of period                            | \$ 32,173                           | \$ 7,541         | \$ 19,513                         | \$ 6,309         |
| Cash advance loss provision                               | 43,604                              | 17,641           | 118,011                           | 32,859           |
| Charge-offs   | (48,283)                            | (16,266)         | (117,133)                         | (35,924)         |
| Recoveries  | 3,431                               | 2,173            | 10,534                            | 7,845            |
| <b>Balance at end of period</b>                           | <b>\$ 30,925</b>                    | <b>\$ 11,089</b> | <b>\$ 30,925</b>                  | <b>\$ 11,089</b> |
| <b>Accrual for third-party lender-owned cash advances</b> |                                     |                  |                                   |                  |
| Balance at beginning of period                            | \$ 1,824                            | \$ 891           | \$ 1,155                          | \$ 874           |
| Increase (decrease) in loss provision                     | 8                                   | (138)            | 677                               | (121)            |
| <b>Balance at end of period</b>                           | <b>\$ 1,832</b>                     | <b>\$ 753</b>    | <b>\$ 1,832</b>                   | <b>\$ 753</b>    |

Cash advances assigned to the Company for collection were \$81.3 million and \$26.5 million, for the nine months ended September 30, 2007 and 2006, respectively.

The Company sells selected cash advances originated from its online distribution channel which had been previously written off. These sales generated proceeds of \$1.4 million and \$2.6 million for the three and nine months ended September 30, 2007, respectively, which were recorded as recoveries on losses previously charged to the allowance for losses.

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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**5. Earnings Per Share Computation**

The following table sets forth the reconciliation of numerators and denominators for the basic and diluted earnings per share computation for the three and nine months ended September 30, 2007 and 2006 (in thousands, except per share amounts):

|   | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|---|-------------------------------------|-----------|------------------------------------|-----------|
|   | 2007                                | 2006      | 2007                               | 2006      |
| Numerator:  |                                     |           |                                    |           |
| Net income available to common stockholders           | \$ 20,616                           | \$ 12,941 | \$ 53,059                          | \$ 39,242 |
| Denominator:  |                                     |           |                                    |           |
| Weighted average common shares outstanding            | 29,316                              | 29,548    | 29,530                             | 29,496    |
| Weighted average vested RSUs                          | 164                                 | 102       | 159                                | 96        |
| Weighted average shares in non-qualified savings plan | 55                                  | 57        | 56                                 | 60        |
| Total weighted average basic shares                   | 29,535                              | 29,707    | 29,745                             | 29,652    |
| Effect of shares applicable to stock option plans     | 346                                 | 465       | 363                                | 493       |
| Effect of RSU compensation plans                      | 354                                 | 370       | 356                                | 369       |
| Weighted average shares for earn-out contingency      |                                     | 6         |                                    | 1         |
| Total weighted average diluted shares                 | 30,235                              | 30,548    | 30,464                             | 30,515    |
| Earnings per share:                                   |                                     |           |                                    |           |
| Net income Basic                                      | \$ 0.70                             | \$ 0.44   | \$ 1.78                            | \$ 1.32   |
| Net income Diluted                                    | \$ 0.68                             | \$ 0.42   | \$ 1.74                            | \$ 1.29   |

The shares held in the Company's non-qualified savings plan have been reclassified into the basic earnings per share computation as the distribution of substantially all of those shares is not contingent upon future services. All prior periods presented have been restated to reflect this reclassification. There is no impact to the previously reported basic earnings per share.

**6. Long-Term Debt**

The Company's long-term debt instruments and balances outstanding at September 30, 2007 and 2006, were as follows (in thousands):

|   | September 30, |            |
|---|---------------|------------|
|   | 2007          | 2006       |
| Line of credit up to \$250,000 due 2012 | \$ 142,927    | \$ 139,331 |
| 6.21% senior unsecured notes due 2021   | 25,000        |            |
| 6.09% senior unsecured notes due 2016   | 35,000        |            |

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|                                       |            |            |
|---------------------------------------|------------|------------|
| 6.12% senior unsecured notes due 2015 | 40,000     | 40,000     |
| 7.20% senior unsecured notes due 2009 | 17,000     | 25,500     |
| 7.10% senior unsecured notes due 2008 | 4,286      | 8,572      |
| 8.14% senior unsecured notes due 2007 |            | 4,000      |
| Total debt                            | 264,213    | 217,403    |
| Less current portion                  | 12,786     | 16,786     |
| Total long-term debt                  | \$ 251,427 | \$ 200,617 |

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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In March 2007, the Company amended the line of credit to extend the final maturity two years to February 2012 and modified certain terms of the credit agreement. Interest on the line of credit is charged, at the Company's option, at either LIBOR plus a margin or at the agent's base rate. The margin on the line of credit varies from 0.875% to 1.875% (1.125% at September 30, 2007), depending on the Company's cash flow leverage ratios as defined in the agreement. The Company also pays a fee on the unused portion ranging from 0.25% to 0.30% (0.25% at September 30, 2007) based on the Company's cash flow leverage ratios. The weighted average interest rate (including margin) on the line of credit at September 30, 2007 was 6.5%.

**7. Operating Segment Information**

The Company has three reportable operating segments: pawn lending, cash advance and check cashing. The cash advance and check cashing segments are managed separately due to the different operational strategies required and, therefore, are reported as separate segments. Check cashing fees, royalties and other income at pawn lending locations, which were previously included in either proceeds from disposition of merchandise or netted into administration expenses, are reclassified out of those line items. All prior periods in the tables below have been revised to reflect this change. These revisions have not changed the consolidated performance of the Company for any period.

Information concerning the operating segments is set forth below (in thousands):

|  | Pawn<br>Lending  | Cash<br>Advance <sup>(1)</sup> | Check<br>Cashing | Consolidated     |
|--|------------------|--------------------------------|------------------|------------------|
| <b><u>Three Months Ended September 30, 2007:</u></b> |                  |                                |                  |                  |
| Revenue  |                  |                                |                  |                  |
| Finance and service charges                          | \$ 41,386        | \$                             | \$               | \$ 41,386        |
| Proceeds from disposition of merchandise             | 91,366           |                                |                  | 91,366           |
| Cash advance fees                                    | 11,301           | 84,116                         |                  | 95,417           |
| Check cashing fees, royalties and other              | 698              | 1,826                          | 819              | 3,343            |
| <b>Total revenue</b>                                 | <b>144,751</b>   | <b>85,942</b>                  | <b>819</b>       | <b>231,512</b>   |
| Cost of revenue – disposed merchandise               | 57,693           |                                |                  | 57,693           |
| <b>Net revenue</b>                                   | <b>87,058</b>    | <b>85,942</b>                  | <b>819</b>       | <b>173,819</b>   |
| Expenses   |                  |                                |                  |                  |
| Operations   | 46,955           | 27,461                         | 279              | 74,695           |
| Cash advance loss provision                          | 4,973            | 38,639                         |                  | 43,612           |
| Administration                                       | 9,587            | 6,632                          | 231              | 16,450           |
| Depreciation and amortization                        | 5,272            | 2,901                          | 92               | 8,265            |
| <b>Total expenses</b>                                | <b>66,787</b>    | <b>75,633</b>                  | <b>602</b>       | <b>143,022</b>   |
| <b>Income from operations</b>                        | <b>\$ 20,271</b> | <b>\$ 10,309</b>               | <b>\$ 217</b>    | <b>\$ 30,797</b> |
| <b><u>As of September 30, 2007:</u></b>              |                  |                                |                  |                  |
| Total assets   | \$ 582,072       | \$ 277,986                     | \$ 6,897         | \$ 866,955       |

|          |            |            |          |            |
|----------|------------|------------|----------|------------|
| Goodwill | \$ 143,665 | \$ 134,579 | \$ 5,310 | \$ 283,554 |
|----------|------------|------------|----------|------------|

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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

|   | Pawn<br>Lending | Cash<br>Advance <sup>(1)</sup> | Check<br>Cashing | Consolidated |
|---|-----------------|--------------------------------|------------------|--------------|
| <b>Three Months Ended September 30, 2006:</b> |                 |                                |                  |              |
| Revenue                                       |                 |                                |                  |              |
| Finance and service charges                   | \$ 39,404       | \$                             | \$               | \$ 39,404    |
| Proceeds from disposition of merchandise      | 74,426          |                                |                  | 74,426       |
| Cash advance fees                             | 11,963          | 36,438                         |                  | 48,401       |
| Check cashing fees, royalties and other       | 743             | 1,887                          | 1,056            | 3,686        |
| Total revenue                                 | 126,536         | 38,325                         | 1,056            | 165,917      |
| Cost of revenue disposed merchandise          | 46,281          |                                |                  | 46,281       |
| Net revenue                                   | 80,255          | 38,325                         | 1,056            | 119,636      |
| Expenses                                      |                 |                                |                  |              |
| Operations                                    | 43,148          | 14,788                         | 327              | 58,263       |
| Cash advance loss provision                   | 5,934           | 11,569                         |                  | 17,503       |
| Administration                                | 8,164           | 5,118                          | 298              | 13,580       |
| Depreciation and amortization                 | 4,748           | 2,107                          | 91               | 6,946        |
| Total expenses                                | 61,994          | 33,582                         | 716              | 96,292       |
| Income from operations                        | \$ 18,261       | \$ 4,743                       | \$ 340           | \$ 23,344    |
| <b>As of September 30, 2006:</b>              |                 |                                |                  |              |
| Total assets                                  | \$ 529,258      | \$ 174,621                     | \$ 7,306         | \$ 711,185   |
| Goodwill                                      | \$ 132,142      | \$ 55,927                      | \$ 5,310         | \$ 193,379   |
| <b>Nine Months Ended September 30, 2007:</b>  |                 |                                |                  |              |
| Revenue                                       |                 |                                |                  |              |
| Finance and service charges                   | \$ 117,011      | \$                             | \$               | \$ 117,011   |
| Proceeds from disposition of merchandise      | 277,342         |                                |                  | 277,342      |
| Cash advance fees                             | 31,411          | 229,469                        |                  | 260,880      |
| Check cashing fees, royalties and other       | 2,438           | 7,777                          | 2,817            | 13,032       |
| Total revenue                                 | 428,202         | 237,246                        | 2,817            | 668,265      |
| Cost of revenue disposed merchandise          | 172,402         |                                |                  | 172,402      |
| Net revenue                                   | 255,800         | 237,246                        | 2,817            | 495,863      |
| Expenses                                      |                 |                                |                  |              |
| Operations                                    | 140,654         | 80,074                         | 944              | 221,672      |

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|                               |           |           |        |           |
|-------------------------------|-----------|-----------|--------|-----------|
| Cash advance loss provision   | 11,542    | 107,146   |        | 118,688   |
| Administration                | 25,894    | 17,326    | 756    | 43,976    |
| Depreciation and amortization | 15,406    | 7,998     | 294    | 23,698    |
| Total expenses                | 193,496   | 212,544   | 1,994  | 408,034   |
| Income from operations        | \$ 62,304 | \$ 24,702 | \$ 823 | \$ 87,829 |

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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

|  | Pawn<br>Lending | Cash<br>Advance <sup>(1)</sup> | Check<br>Cashing | Consolidated |
|--|-----------------|--------------------------------|------------------|--------------|
| <b>Nine Months Ended September 30, 2006:</b> |                 |                                |                  |              |
| Revenue                                      |                 |                                |                  |              |
| Finance and service charges                  | \$ 109,047      | \$                             | \$               | \$ 109,047   |
| Proceeds from disposition of merchandise     | 234,172         |                                |                  | 234,172      |
| Cash advance fees                            | 31,893          | 91,342                         |                  | 123,235      |
| Check cashing fees, royalties and other      | 2,046           | 7,220                          | 3,080            | 12,346       |
| <br>   |                 |                                |                  |              |
| Total revenue                                | 377,158         | 98,562                         | 3,080            | 478,800      |
| Cost of revenue disposed merchandise         | 141,909         |                                |                  | 141,909      |
| <br>   |                 |                                |                  |              |
| Net revenue                                  | 235,249         | 98,562                         | 3,080            | 336,891      |
| <br>   |                 |                                |                  |              |
| Expenses                                     |                 |                                |                  |              |
| Operations                                   | 132,164         | 44,033                         | 981              | 177,178      |
| Cash advance loss provision                  | 11,541          | 21,197                         |                  | 32,738       |
| Administration                               | 24,396          | 14,872                         | 1,179            | 40,447       |
| Depreciation and amortization                | 13,568          | 5,973                          | 261              | 19,802       |
| <br>   |                 |                                |                  |              |
| Total expenses                               | 181,669         | 86,075                         | 2,421            | 270,165      |
| <br>   |                 |                                |                  |              |
| Income from operations                       | \$ 53,580       | \$ 12,487                      | \$ 659           | \$ 66,726    |

(1) The Cash Advance segment is comprised of two distribution channels for the same product, a multi-unit, storefront platform of 301 units and an online, internet based lending platform. The amounts for the three and nine months ended September 30, 2006 include

15 days of activity, as the internet based lending platform was purchased on September 15, 2006. The following table summarizes the results from each channel's contributions to the Cash Advance segment as of September 30, 2007:

|   | Storefront | Internet Lending | Total Cash Advance |
|---|------------|------------------|--------------------|
| <b>Three Months Ended September 30, 2007:</b> |            |                  |                    |
| Revenue                                       |            |                  |                    |
| Cash advance fees                             | \$ 34,249  | \$ 49,867        | \$ 84,116          |
| Check cashing fees, royalties and other       | 1,826      |                  | 1,826              |
| Total revenue                                 | 36,075     | 49,867           | 85,942             |
| Expenses                                      |            |                  |                    |
| Operations                                    | 17,194     | 10,267           | 27,461             |
| Cash advance loss provision                   | 11,585     | 27,054           | 38,639             |
| Administration                                | 2,780      | 3,852            | 6,632              |
| Depreciation and amortization                 | 2,072      | 829              | 2,901              |
| Total expenses                                | 33,631     | 42,002           | 75,633             |
| Income from operations                        | \$ 2,444   | \$ 7,865         | \$ 10,309          |
| <b>As of September 30, 2007:</b>              |            |                  |                    |
| Total assets                                  | \$ 122,673 | \$ 155,313       | \$ 277,986         |
| Goodwill                                      | \$ 44,618  | \$ 89,961        | \$ 134,579         |

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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

|   | Storefront | Internet<br>Lending | Total Cash<br>Advance |
|---|------------|---------------------|-----------------------|
| <b>Three Months Ended September 30, 2006:</b> |            |                     |                       |
| Revenue                                       |            |                     |                       |
| Cash advance fees                             | \$ 32,815  | \$ 3,623            | \$ 36,438             |
| Check cashing fees, royalties and other       | 1,887      |                     | 1,887                 |
| Total revenue                                 | 34,702     | 3,623               | 38,325                |
| Expenses                                      |            |                     |                       |
| Operations                                    | 14,193     | 595                 | 14,788                |
| Cash advance loss provision                   | 10,332     | 1,237               | 11,569                |
| Administration                                | 4,928      | 190                 | 5,118                 |
| Depreciation and amortization                 | 1,947      | 160                 | 2,107                 |
| Total expenses                                | 31,400     | 2,182               | 33,582                |
| Income from operations                        | \$ 3,302   | \$ 1,441            | \$ 4,743              |
| <b>As of September 30, 2006:</b>              |            |                     |                       |
| Total assets                                  | \$ 122,232 | \$ 52,389           | \$ 174,621            |
| Goodwill                                      | \$ 44,618  | \$ 11,309           | \$ 55,927             |
|   | Storefront | Internet<br>Lending | Total Cash<br>Advance |
| <b>Nine Months Ended September 30, 2007:</b>  |            |                     |                       |
| Revenue                                       |            |                     |                       |
| Cash advance fees                             | \$ 95,240  | \$ 134,229          | \$ 229,469            |
| Check cashing fees, royalties and other       | 7,772      | 5                   | 7,777                 |
| Total revenue                                 | 103,012    | 134,234             | 237,246               |
| Expenses                                      |            |                     |                       |
| Operations                                    | 50,539     | 29,535              | 80,074                |
| Cash advance loss provision                   | 28,716     | 78,430              | 107,146               |
| Administration                                | 7,935      | 9,391               | 17,326                |
| Depreciation and amortization                 | 5,924      | 2,074               | 7,998                 |
| Total expenses                                | 93,114     | 119,430             | 212,544               |

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|  |            |                  |                    |
|--|------------|------------------|--------------------|
| Income from operations                       | \$ 9,898   | \$ 14,804        | \$ 24,702          |
|  | Storefront | Internet Lending | Total Cash Advance |
| <b>Nine Months Ended September 30, 2006:</b> |            |                  |                    |
| Revenue                                      |            |                  |                    |
| Cash advance fees                            | \$ 87,719  | \$ 3,623         | \$ 91,342          |
| Check cashing fees, royalties and other      | 7,220      |                  | 7,220              |
| Total revenue                                | 94,939     | 3,623            | 98,562             |
| Expenses                                     |            |                  |                    |
| Operations                                   | 43,438     | 595              | 44,033             |
| Cash advance loss provision                  | 19,960     | 1,237            | 21,197             |
| Administration                               | 14,682     | 190              | 14,872             |
| Depreciation and amortization                | 5,813      | 160              | 5,973              |
| Total expenses                               | 83,893     | 2,182            | 86,075             |
| Income from operations                       | \$ 11,046  | \$ 1,441         | \$ 12,487          |

**Table of Contents****CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****8. Litigation**

On August 6, 2004, James E. Strong filed a purported class action lawsuit in the State Court of Cobb County, Georgia against Georgia Cash America, Inc., Cash America International, Inc. (together with Georgia Cash America, Inc., Cash America ), Daniel R. Feehan, and several unnamed officers, directors, owners and stakeholders of Cash America. The lawsuit alleges many different causes of action, among the most significant of which is that Cash America made illegal payday loans in Georgia in violation of Georgia's usury law, the Georgia Industrial Loan Act and Georgia's Racketeer Influenced and Corrupt Organizations Act. Community State Bank (CSB) for some time made loans to Georgia residents through Cash America's Georgia operating locations. The complaint in this lawsuit claims that Cash America was the true lender with respect to the loans made to Georgia borrowers and that CSB's involvement in the process is a mere subterfuge. Based on this claim, the suit alleges that Cash America is the de facto lender and is illegally operating in Georgia. The complaint seeks unspecified compensatory damages, attorney's fees, punitive damages and the trebling of any compensatory damages. A previous decision by the trial judge to strike Cash America's affirmative defenses based on arbitration was upheld by the Georgia Court of Appeals, and on September 24, 2007, the Georgia Supreme Court declined to review the decision. The case has been returned to the State Court of Cobb County, Georgia. Cash America currently is considering whether any options remain to enforce the arbitration agreement between it and the Plaintiff. If Cash America's further attempts to enforce the arbitration agreement are unsuccessful, discovery relating to the propriety of continuing this suit as a class action would proceed. Cash America believes that the plaintiffs' claims in this suit are without merit and is vigorously defending this lawsuit.

Cash America and CSB also commenced a federal lawsuit in the U.S. District Court for the Northern District of Georgia seeking to compel Plaintiffs to arbitrate their claims against Cash America and CSB. The U.S. District Court dismissed the federal action for lack of subject matter jurisdiction, and Cash America and CSB appealed the dismissal of their complaint to the U.S. Court of Appeals for the 11th Circuit. The 11th Circuit issued a decision on April 27, 2007 reversing the district court's dismissal of the action and remanding the action to the district court for a determination of the issue of the enforceability of the parties' arbitration agreements. Plaintiff requested the 11th Circuit to review this decision *en banc* and this request has been granted. The *en banc* rehearing currently is expected to occur in February 2008. The Strong litigation is still at an early stage, and neither the likelihood of an unfavorable outcome nor the ultimate liability, if any, with respect to this litigation can be determined at this time.

On October 23, 2007, a federal class action Complaint, styled *Ryan Bonner, individually and on behalf of all others similarly situated, v. Cash America International, Inc., Cash America Net of Nevada, LLC, Cash America Net of Pennsylvania, LLC and Cash America of PA, LLC, d/b/a CashNetUSA.com*, was filed in the United States District Court for the Eastern District of Pennsylvania, alleging, among other things, that the Company and three of its subsidiaries located outside Pennsylvania made certain loans to Pennsylvania consumers in violation of Pennsylvania law, including its usury, fair credit extension, and unfair trade practices and consumer protection laws. The Complaint also alleges that the arbitration clause in the relevant loans is unenforceable and seeks a declaratory judgment that the loan agreements issued to Pennsylvania residents are void and unenforceable under Pennsylvania law or, in the alternative, that the arbitration clause in those loan agreements is void and unenforceable. Plaintiff also seeks an injunction barring the Company and the three named subsidiaries from offering, arranging, making or collecting allegedly illegal loans in Pennsylvania, as well as an award of monetary damages (including treble damages), penalties, costs and attorneys' fees. As of the date of this report, neither the Company nor any of the named subsidiaries have been served with the Complaint. The Company disagrees with the allegations in the Complaint and plans to vigorously defend this lawsuit. Neither the likelihood of an unfavorable outcome nor the ultimate liability, if any, with respect to this claim can be determined at this time.

The Company is a defendant in certain lawsuits 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 will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

**9. Gain on Sale of Foreign Notes**

In August 2007, the Company received gross proceeds in the amount of \$16.8 million on the sale of notes receivable that it had received in 2004 as part of the proceeds from its sale of Svensk Pantbelåning, its former Swedish pawn lending subsidiary. In September 2004, the Company sold Svensk Pantbelåning to Rutland Partners LLP for cash and two subordinated notes receivable. One of the notes receivable was convertible into approximately 27.7% of the parent company of Svensk Pantbelåning on a fully-diluted basis. In August 2007, Rutland Partners LLP sold Svensk Pantbelåning to a third party who also purchased the notes receivable from the Company.

The Company's total proceeds of \$16.8 million represent \$12.4 million in the repayment of principal and interest owed on notes receivable and \$4.4 million for the value of its conversion rights under the convertible note. For the three months ended September 30, 2007, the Company recognized a pre-tax gain of approximately \$6.3 million from the sale of the notes.

**Table of Contents****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**  
**GENERAL**

The Company provides specialty financial services to individuals. These services include secured non-recourse loans, commonly referred to as pawn loans, to individuals through its pawn lending operations, unsecured cash advances in selected lending locations and on behalf of independent third-party lenders in other locations, and check cashing and related financial services through many of its lending locations and through franchised and Company-owned check cashing centers. The pawn loan portfolio generates finance and service charges revenue. A related activity of the pawn lending operations is the disposition of collateral from unredeemed pawn loans. In September 2006, the Company began offering cash advances over the internet and began arranging loans on behalf of independent third-party lenders over the internet in November 2006.

On September 15, 2006, the Company, through its wholly-owned subsidiary Cash America Net Holdings, LLC, purchased substantially all of the assets of The Check Giant LLC ( TCG ). TCG offered short-term cash advances exclusively over the internet under the name CashNetUSA. The Company paid an initial purchase price of approximately \$35.9 million in cash and transaction costs of approximately \$2.9 million, and has continued to use the CashNetUSA trade name in connection with its online operations. The Company also agreed to pay up to five supplemental earn-out payments during the two-year period after the closing. The amount of each supplemental payment is based on a multiple of earnings attributable to CashNetUSA's business for the twelve months preceding the date of determining each scheduled supplemental payment. Each supplemental payment will be reduced by amounts previously paid. The supplemental payments are to be paid in cash within 45 days of the payment measurement date. The Company may, at its option, pay up to 25% of each supplemental payment in shares of its common stock based on an average share price as of the measurement date thereby reducing the amount of the cash payment.

The first supplemental payment of approximately \$33.8 million, which was paid in February 2007 in cash, was based on the trailing twelve months earnings of CashNetUSA through December 31, 2006 and reflects adjustments for amounts previously paid. There was no supplemental payment with respect to the trailing twelve months earnings of CashNetUSA as of March 31, 2007. The next supplemental payment is scheduled in November 2007 and will be based on the trailing twelve months earnings of CashNetUSA as of September 30, 2007. As of September 30, 2007, the Company has accrued for a payment of approximately \$43.3 million based on the defined multiple of trailing twelve months earnings through September 30, 2007. Pursuant to the terms of the purchase agreement with CashNetUSA, the March 31 and September 30, 2007 measurement dates were calculated at 5.5 times trailing twelve month earnings. Subsequent measurement dates of March 31 and September 30, 2008 will be calculated at 5 times trailing twelve month earnings.

In July 2007, the Company began offering short-term unsecured loans to customers who reside throughout the United Kingdom through its internet distribution platform. Management expects loan volumes to accumulate gradually and provide only nominal levels of asset increases throughout the remainder of 2007.

As of September 30, 2007, the Company had 936 total locations offering products and services to its customers.

As of September 30, 2007, the Company's pawn lending operations consisted of 495 pawnshops, including 483 Company-owned units and 12 unconsolidated franchised units, located in 22 states in the United States. During the 21 months ended September 30, 2007, the Company acquired 24 operating units, established six locations, and combined or closed three locations for a net increase in Company-owned pawn lending units of 27. In addition, it opened four franchised locations.

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At September 30, 2007, the Company's cash advance operations operated 301 cash advance locations in seven states. During the 21 months ended September 30, 2007, the Company established 22 locations, and combined or closed seven locations for a net increase in cash advance locations of 15. CashNetUSA serves multiple markets through its internet distribution channel and had cash advances outstanding in 31 states and one foreign country at September 30, 2007.

As of September 30, 2007, in Florida and Texas, the Company provides services in connection with single payment cash advances originated by independent third-party lenders, whereby the Company acts as a credit services organization on behalf of consumers in accordance with applicable state laws (the CSO program). Under the CSO program, the Company arranges loans with independent third-party lenders, assists in the preparation of loan applications and loan documents, and accepts loan payments. To assist the customer in obtaining a loan through the CSO program, the Company also, as part of the credit services it provides to the customer, guarantees, on behalf of the customer, the customer's payment obligations to the third-party lender under the loan. A customer who obtains a loan through the CSO program pays the Company a fee for the credit services, including the guaranty, and enters into a contract with the Company governing the credit services arrangement. Losses on cash advances acquired by the Company as a result of its guaranty obligations are the responsibility of the Company. The Company discontinued the CSO program in Michigan in February 2007, and now offers only cash advances underwritten by the Company to customers in that state.

As of September 30, 2007, the Company's check cashing operations consisted of 135 franchised and five company-owned check cashing centers in 18 states. During the 21 months ended September 30, 2007, the Company opened 17 franchised locations, and combined or closed 13 franchised locations for a net increase of four franchised locations.

**Table of Contents****RESULTS OF CONTINUING OPERATIONS**

The following table sets forth the components of the consolidated statements of income as a percentage of total revenue for the periods indicated.

|  | Three Months Ended<br>September 30, |       | Nine Months Ended<br>September 30, |       |
|--|-------------------------------------|-------|------------------------------------|-------|
|  | 2007                                | 2006  | 2007                               | 2006  |
| <b>Revenue</b>                           |                                     |       |                                    |       |
| Finance and service charges              | 17.9%                               | 23.7% | 17.5%                              | 22.8% |
| Proceeds from disposition of merchandise | 39.5                                | 44.9  | 41.5                               | 48.9  |
| Cash advance fees                        | 41.2                                | 29.2  | 39.0                               | 25.7  |
| Check cashing fees, royalties and other. | 1.4                                 | 2.2   | 2.0                                | 2.6   |
| <b>Total Revenue</b>                     | 100.0                               | 100.0 | 100.0                              | 100.0 |
| <b>Cost of Revenue</b>                   |                                     |       |                                    |       |
| Disposed merchandise                     | 24.9                                | 27.9  | 25.8                               | 29.7  |
| <b>Net Revenue</b>                       | 75.1                                | 72.1  | 74.2                               | 70.3  |
| <b>Expenses</b>                          |                                     |       |                                    |       |
| Operations                               | 32.3                                | 35.1  | 33.2                               | 37.0  |
| Cash advance loss provision              | 18.8                                | 10.5  | 17.8                               | 6.8   |
| Administration                           | 7.1                                 | 8.2   | 6.6                                | 8.5   |
| Depreciation and amortization            | 3.6                                 | 4.2   | 3.5                                | 4.1   |
| <b>Total Expenses</b>                    | 61.8                                | 58.0  | 61.1                               | 56.4  |
| <b>Income from Operations</b>            | 13.3                                | 14.1  | 13.1                               | 13.9  |
| Interest expense                         | (1.9)                               | (1.9) | (1.8)                              | (1.7) |
| Interest income                          | 0.1                                 | 0.3   | 0.2                                | 0.3   |
| Foreign currency transaction gain        |                                     |       |                                    |       |
| Gain from termination of contract        |                                     |       |                                    | 0.5   |
| Gain on sale of foreign notes            | 2.7                                 |       | 0.9                                |       |
| <b>Income before Income Taxes</b>        | 14.2                                | 12.5  | 12.4                               | 13.0  |
| Provision for income taxes               | 5.3                                 | 4.7   | 4.5                                | 4.8   |
| <b>Net Income</b>                        | 8.9%                                | 7.8%  | 7.9%                               | 8.2%  |

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The following table sets forth certain selected consolidated financial and non-financial data as of September 30, 2007 and 2006, and for each of the three and nine months then ended (\$ in thousands unless noted otherwise).

|   | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |            |
|---|-------------------------------------|------------|------------------------------------|------------|
|   | 2007                                | 2006       | 2007                               | 2006       |
| <b>PAWN LENDING OPERATIONS:</b>   |                                     |            |                                    |            |
| <b>Pawn loans</b>   |                                     |            |                                    |            |
| Annualized yield on pawn loans  | 121.4%                              | 119.3%     | 124.1%                             | 123.3%     |
| Total amount of pawn loans written and renewed  | \$ 138,100                          | \$ 129,269 | \$ 378,058                         | \$ 357,170 |
| Average pawn loan balance outstanding   | \$ 135,205                          | \$ 131,089 | \$ 126,043                         | \$ 118,297 |
| Average pawn loan balance per average location in operation   | \$ 281                              | \$ 284     | \$ 263                             | \$ 258     |
| Ending pawn loan balance per location in operation  | \$ 283                              | \$ 289     | \$ 283                             | \$ 289     |
| Average pawn loan amount at end of period (not in thousands).   | \$ 102                              | \$ 100     | \$ 105                             | \$ 100     |
| Profit margin on disposition of merchandise as a percentage of proceeds from disposition of merchandise | 36.9%                               | 37.8%      | 37.8%                              | 39.4%      |
| Average annualized merchandise turnover   | 2.5x                                | 2.4x       | 2.7x                               | 2.6x       |
| Average balance of merchandise held for disposition per average location in operation                   | \$ 192                              | \$ 167     | \$ 182                             | \$ 157     |
| Ending balance of merchandise held for disposition per location in operation                            | \$ 204                              | \$ 180     | \$ 204                             | \$ 180     |
| Pawnshop locations in operation   |                                     |            |                                    |            |
| Beginning of period, owned  | 480                                 | 457        | 475                                | 456        |
| Acquired  | 2                                   | 5          | 5                                  | 7          |
| Start-ups   | 1                                   | 1          | 4                                  | 2          |
| Combined or closed  |                                     |            | (1)                                | (2)        |
| End of period, owned  | 483                                 | 463        | 483                                | 463        |
| Franchise locations at end of period  | 12                                  | 11         | 12                                 | 11         |
| Total pawnshop locations at end of period   | 495                                 | 474        | 495                                | 474        |
| Average number of owned pawnshop locations  | 482                                 | 462        | 479                                | 459        |
| <b>Cash advances <sup>(a)</sup></b>   |                                     |            |                                    |            |
| Pawn locations offering cash advances at end of period  | 429                                 | 417        | 429                                | 417        |
| Average number of pawn locations offering cash advances   | 427                                 | 416        | 425                                | 423        |
| Amount of cash advances written at pawn locations:  |                                     |            |                                    |            |
| Funded by the Company   | \$ 16,652                           | \$ 18,978  | \$ 48,899                          | \$ 49,113  |
| Funded by third-party lenders <sup>(b) (d)</sup>  | 49,634                              | 57,062     | 141,510                            | 151,673    |

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|   |           |           |            |            |
|---|-----------|-----------|------------|------------|
| Aggregate amount of cash advances written at pawn locations <sup>(b) (f)</sup>            | \$ 66,286 | \$ 76,040 | \$ 190,409 | \$ 200,786 |
| Number of cash advances written at pawn locations (not in thousands):                     |           |           |            |            |
| By the Company  | 54,821    | 61,516    | 160,253    | 154,545    |
| By third-party lenders <sup>(b) (d)</sup>   | 105,873   | 129,176   | 308,729    | 355,651    |
| Aggregate number of cash advances written at pawn locations <sup>(b) (f)</sup>            | 160,694   | 190,692   | 468,982    | 510,196    |
| Cash advance customer balances due at pawn locations (gross):                             |           |           |            |            |
| Owned by Company <sup>(c)</sup>   | \$ 8,803  | \$ 8,779  | \$ 8,803   | \$ 8,779   |
| Owned by third-party lenders <sup>(b) (d)</sup>   | 9,179     | 10,474    | 9,179      | 10,474     |
| Aggregate cash advance customer balances due at pawn locations (gross) <sup>(b) (f)</sup> | \$ 17,982 | \$ 19,253 | \$ 17,982  | \$ 19,253  |

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|   | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |            |
|---|-------------------------------------|------------|------------------------------------|------------|
|   | 2007                                | 2006       | 2007                               | 2006       |
| <b>CASH ADVANCE OPERATIONS <sup>(e)</sup>:</b>                          |                                     |            |                                    |            |
| <b>Storefront operations:</b>   |                                     |            |                                    |            |
| Amount of cash advances written:  |                                     |            |                                    |            |
| Funded by the Company   | \$ 187,302                          | \$ 168,743 | \$ 522,719                         | \$ 431,569 |
| Funded by third-party lenders <sup>(b) (d)</sup>                        | 30,212                              | 34,899     | 84,884                             | 103,995    |
| Aggregate amount of cash advances written <sup>(b) (f)</sup>            | \$ 217,514                          | \$ 203,642 | \$ 607,603                         | \$ 535,564 |
| Number of cash advances written (not in thousands):                     |                                     |            |                                    |            |
| By the Company  | 513,135                             | 482,560    | 1,438,490                          | 1,235,431  |
| By third-party lenders <sup>(b) (d)</sup>                               | 55,090                              | 66,098     | 159,427                            | 204,114    |
| Aggregate number of cash advances written <sup>(b) (f)</sup>            | 568,225                             | 548,658    | 1,597,917                          | 1,439,545  |
| Cash advance customer balances due (gross):                             |                                     |            |                                    |            |
| Owned by the Company <sup>(c)</sup>                                     | \$ 51,316                           | \$ 46,642  | \$ 51,316                          | \$ 46,642  |
| Owned by third-party lenders <sup>(b) (d)</sup>                         | 5,259                               | 5,916      | 5,259                              | 5,916      |
| Aggregate cash advance customer balances due (gross) <sup>(b) (f)</sup> | \$ 56,575                           | \$ 52,558  | \$ 56,575                          | \$ 52,558  |
| Cash advance locations in operation (excluding online lending)          |                                     |            |                                    |            |
| Beginning of period   | 296                                 | 291        | 295                                | 286        |
| Start-ups   | 7                                   | 2          | 10                                 | 10         |
| Combined or closed  | (2)                                 |            | (4)                                | (3)        |
| End of period   | 301                                 | 293        | 301                                | 293        |
| Average number of cash advance locations                                | 299                                 | 292        | 297                                | 289        |
| <b>Internet lending operations:</b>                                     |                                     |            |                                    |            |
| Amount of cash advances written:  |                                     |            |                                    |            |
| Funded by the Company   | \$ 157,887                          | \$ 15,625  | \$ 435,665                         | \$ 15,625  |
| Funded by third-party lenders <sup>(b) (d)</sup>                        | 96,096                              |            | 251,880                            |            |
| Aggregate amount of cash advances written <sup>(b) (f)</sup>            | \$ 253,983                          | \$ 15,625  | \$ 687,545                         | \$ 15,625  |

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|   |           |           |           |           |
|---|-----------|-----------|-----------|-----------|
| Number of cash advances written (not in thousands):                     |           |           |           |           |
| By the Company  | 400,942   | 40,480    | 1,117,466 | 40,480    |
| By third-party lenders <sup>(b) (d)</sup>                               | 159,711   |           | 441,402   |           |
| Aggregate number of cash advances written <sup>(b) (f)</sup>            | 560,653   | 40,480    | 1,558,868 | 40,480    |
| Cash advance customer balances due (gross):                             |           |           |           |           |
| Owned by the Company <sup>(c)</sup>                                     | \$ 53,591 | \$ 25,921 | \$ 53,591 | \$ 25,921 |
| Owned by third-party lenders <sup>(b) (d)</sup>                         | 16,631    |           | 16,631    |           |
| Aggregate cash advance customer balances due (gross) <sup>(b) (f)</sup> | \$ 70,222 | \$ 25,921 | \$ 70,222 | \$ 25,921 |
| Number of states with online lending at end of period                   | 31        | 27        | 31        | 27        |
| Number of countries with online lending at end of period                | 2         | 1         | 2         | 1         |

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|  | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |            |
|--|-------------------------------------|------------|------------------------------------|------------|
|  | 2007                                | 2006       | 2007                               | 2006       |
| <b>Combined Storefront and Internet lending operations:</b>              |                                     |            |                                    |            |
| Amount of cash advances written:   |                                     |            |                                    |            |
| Funded by the Company  | \$ 345,189                          | \$ 184,368 | \$ 958,384                         | \$ 447,194 |
| Funded by third-party lenders <sup>(b) (d)</sup>                         | 126,308                             | 34,899     | 336,764                            | 103,995    |
| Aggregate amount of cash advances written <sup>(b) (f)</sup>             | \$ 471,497                          | \$ 219,267 | \$ 1,295,148                       | \$ 551,189 |
| Number of cash advances written (not in thousands):                      |                                     |            |                                    |            |
| By the Company   | 914,077                             | 523,040    | 2,555,956                          | 1,275,911  |
| By third-party lenders <sup>(b) (d)</sup>                                | 214,801                             | 66,098     | 600,829                            | 204,114    |
| Aggregate number of cash advances written <sup>(b) (f)</sup>             | 1,128,878                           | 589,138    | 3,156,785                          | 1,480,025  |
| Cash advance customer balances due (gross):                              |                                     |            |                                    |            |
| Owned by the Company <sup>(c)</sup>                                      | \$ 104,907                          | \$ 72,563  | \$ 104,907                         | \$ 72,563  |
| Owned by third-party lenders <sup>(b) (d)</sup>                          | 21,890                              | 5,916      | 21,890                             | 5,916      |
| Aggregate cash advance customer balances due (gross) <sup>(b) (f)</sup>  | \$ 126,797                          | \$ 78,479  | \$ 126,797                         | \$ 78,479  |
| <b>CONSOLIDATED CASH ADVANCE PRODUCT SUMMARY <sup>(a) (b) (e):</sup></b> |                                     |            |                                    |            |
| Amount of cash advances written:   |                                     |            |                                    |            |
| Funded by the Company  | \$ 361,841                          | \$ 203,346 | \$ 1,007,283                       | \$ 496,307 |
| Funded by third-party lenders <sup>(b) (d)</sup>                         | 175,942                             | 91,961     | 478,274                            | 255,668    |
| Aggregate amount of cash advances written <sup>(b) (f)</sup>             | \$ 537,783                          | \$ 295,307 | \$ 1,485,557                       | \$ 751,975 |
| Number of cash advances written (not in thousands):                      |                                     |            |                                    |            |
| By the Company   | 968,898                             | 584,556    | 2,716,209                          | 1,430,456  |
| By third-party lenders <sup>(b) (d)</sup>                                | 320,674                             | 195,274    | 909,558                            | 559,765    |
| Aggregate number of cash advances written <sup>(b) (f)</sup>             | 1,289,572                           | 779,830    | 3,625,767                          | 1,990,221  |
| Average amount per cash advance written (not in thousands):              |                                     |            |                                    |            |
| Funded by the Company  | \$ 373                              | \$ 348     | \$ 371                             | \$ 347     |
| Funded by third-party lenders <sup>(b) (d)</sup>                         | 549                                 | 471        | 526                                | 474        |
| Aggregate average amount per cash advance <sup>(b) (f)</sup>             | \$ 417                              | \$ 379     | \$ 410                             | \$ 382     |
| Cash advance customer balances due (gross):                              |                                     |            |                                    |            |
| Owned by the Company <sup>(c)</sup>                                      | \$ 113,710                          | \$ 81,342  | \$ 113,710                         | \$ 81,342  |

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|  |            |           |            |           |
|--|------------|-----------|------------|-----------|
| Owned by third-party lenders <sup>(b) (d)</sup>                                    | 31,069     | 16,390    | 31,069     | 16,390    |
| Aggregate cash advance customer balances due (gross) <sup>(b) (f)</sup>            | \$ 144,779 | \$ 97,732 | \$ 144,779 | \$ 97,732 |
| Total locations offering cash advances at end of period (excluding online lending) | 730        | 710       | 730        | 710       |
| Average total locations offering cash advances (excluding online lending)          | 726        | 708       | 722        | 712       |
| Number of states with online lending at end of period                              | 31         | 27        | 31         | 27        |
| Number of countries with online lending at end of period                           | 2          | 1         | 2          | 1         |

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|   | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |            |
|---|-------------------------------------|------------|------------------------------------|------------|
|   | 2007                                | 2006       | 2007                               | 2006       |
| <b>CHECK CASHING OPERATIONS</b>                               |                                     |            |                                    |            |
| <b>(Mr. Payroll):</b>   |                                     |            |                                    |            |
| Centers in operation at end of year (not in thousands):       |                                     |            |                                    |            |
| Company-owned locations                                       | 5                                   | 5          | 5                                  | 5          |
| Franchised locations <sup>(b)</sup>                           | 135                                 | 133        | 135                                | 133        |
| Combined centers in operations at end of year <sup>(b)</sup>  | 140                                 | 138        | 140                                | 138        |
| Revenue from Company-owned locations                          | \$ 106                              | \$ 126     | \$ 379                             | \$ 442     |
| Revenue from franchise royalties and other                    | 561                                 | 582        | 1,902                              | 1,949      |
| Total revenue <sup>(c)</sup>                                  | \$ 667                              | \$ 708     | \$ 2,281                           | \$ 2,391   |
| Face amount of checks cashed:                                 |                                     |            |                                    |            |
| Company-owned locations                                       | \$ 7,902                            | \$ 9,196   | \$ 25,724                          | \$ 29,191  |
| Franchised locations <sup>(b)</sup>                           | 291,255                             | 302,366    | 958,277                            | 968,963    |
| Combined face amount of checks cashed <sup>(b)</sup>          | \$ 299,157                          | \$ 311,562 | \$ 984,001                         | \$ 998,154 |
| Fees collected from customers:                                |                                     |            |                                    |            |
| Company-owned locations <sup>(c)</sup>                        | \$ 106                              | \$ 124     | \$ 379                             | \$ 442     |
| Franchised locations <sup>(b)</sup>                           | 3,968                               | 4,140      | 13,544                             | 13,774     |
| Combined fees collected from customers <sup>(b)</sup>         | \$ 4,074                            | \$ 4,264   | \$ 13,923                          | \$ 14,216  |
| Fees as a percentage of checks cashed:                        |                                     |            |                                    |            |
| Company-owned locations                                       | 1.3%                                | 1.4%       | 1.5%                               | 1.5%       |
| Franchised locations <sup>(b)</sup>                           | 1.4                                 | 1.4        | 1.4                                | 1.4        |
| Combined fees as a percentage of checks cashed <sup>(b)</sup> | 1.4%                                | 1.4%       | 1.4%                               | 1.4%       |
| Average check cashed (not in thousands):                      |                                     |            |                                    |            |
| Company-owned locations                                       | \$ 375                              | \$ 379     | \$ 396                             | \$ 400     |
| Franchised locations <sup>(b)</sup>                           | 416                                 | 402        | 442                                | 426        |
| Combined average check cashed <sup>(b)</sup>                  | \$ 415                              | \$ 401     | \$ 441                             | \$ 425     |

(a) Includes cash advance activities at the Company's pawn lending locations.

- (b) Non-GAAP presentation.  
For informational purposes and to provide a greater understanding of the Company's businesses. Management believes information provided with this level of detail is meaningful and useful in understanding the activities and business metrics of the Company's operations.
- (c) Amounts recorded in the Company's consolidated financial statements.
- (d) Cash advances written by third-party lenders that were arranged by the Company on behalf of the third-party lenders.
- (e) Includes cash advance activities at the Company's cash advance storefront locations and

through the  
Company's  
internet  
distribution  
channel.

- (f) Includes (i) cash advances written by the Company, and (ii) cash advances written by third-party lenders that were arranged by the Company on behalf of the third-party lenders.

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**CRITICAL ACCOUNTING POLICIES**

Since January 1, 2007, the Company has accounted for uncertainty in income taxes recognized in the financial statements in accordance with Financial Accounting Standards Board ( FASB ) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ( FIN 48 ). FIN 48 requires that a more-likely-than-not threshold be met before the benefit of a tax position may be recognized in the financial statements and prescribes how such benefit should be measured. It also provides guidance on derecognition, classification, accrual of interest and penalties, accounting in interim periods, disclosure and transition. It requires that the new standard be applied to the balances of assets and liabilities as of the beginning of the period of adoption and that a corresponding adjustment be made to the opening balance of retained earnings. See Note 2 of Notes to Consolidated Financial Statements.

There have been no other changes of critical accounting policies since December 31, 2006.

**RECENT ACCOUNTING PRONOUNCEMENTS**

In September 2006, FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ( SFAS 157 ). SFAS 157 defines fair value to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and emphasizes that fair value is a market-based measurement, not an entity-specific measurement. It establishes a fair value hierarchy and expands disclosures about fair value measurements in both interim and annual periods. SFAS 157 will be effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company does not expect SFAS 157 to have a material effect on the Company's consolidated financial position or results of operations.

In February 2007, FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ( SFAS 159 ). SFAS 159 permits entities to choose, at specified election dates, to measure eligible items at fair value (the fair value option ) and requires an entity to report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. Upfront costs and fees related to items for which the fair value option is elected shall be recognized in earnings as incurred and not deferred. SFAS 159 will be effective for fiscal years beginning after November 15, 2007. The Company does not expect SFAS 159 to have a material effect on the Company's consolidated financial position or results of operations.

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**OVERVIEW**

**Components of Consolidated Net Revenue.** Consolidated net revenue is total revenue reduced by the cost of merchandise sold in the period. It represents the income available to satisfy expenses and is the measure management uses to evaluate top line performance. The components of consolidated net revenue are pawn related net revenue, consisting of finance and service charges from pawn loans plus profit from the disposition of merchandise; cash advance fees and other revenue. Other revenue is comprised mostly of check cashing fees, but includes royalties and other revenue items. Growth in cash advance fees has increased the related contribution of the cash advance products to consolidated net revenue during the three and nine months ended September 30, 2007 compared to the same periods of 2006. The growth in cash advance fees is primarily attributable to higher average cash advance balances, the addition of new units and the addition of cash advances made over the internet beginning in mid-September 2006. Net revenue from pawn lending activities contributed 43.2% and 56.4% of net revenue for the three months ended September 30, 2007 and 2006; and 44.8% and 59.8% for the nine months ended September 30, 2007 and 2006, respectively. The following graphs show consolidated net revenue and depict the mix of the components of net revenue for the three and nine months ended September 30, 2007 and 2006:

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**Contribution to Increase in Net Revenue.** The Company's net revenue increased 45.3% and 47.2% for the three and nine months ended September 30, 2007 compared to the prior year same periods. Cash advance fees have contributed the majority of the increase primarily because of the acquisition in September 2006 and subsequent growth in revenue of a subsidiary offering cash advances over the internet. In addition, higher average balances owed by customers, and the growth and development of newly opened cash advance locations contributed to the increase. As illustrated below, these increases represented 86.8% and 86.6% of the Company's overall increase in net revenue from the three and nine months ended September 30, 2006 to the three and nine months ended September 30, 2007 and 51.8% and 52.5% of the overall increase from the three and nine months ended September 30, 2005 to the three and nine months ended September 30, 2006. The increase in pawn-related net revenue in the aggregate, combined finance and service charges and profit from the disposition of merchandise, contributed 13.8% and 13.0% of the year over year increase in net revenue for the first three and nine months of 2007 compared to 43.4% of the growth in the same periods of 2006.

While the percent of contribution to the growth in consolidated net revenue generated by pawn lending operations is a smaller percentage than the prior year, net revenue from pawn lending activities increased 11.1% and 10.3% for the three and nine month periods ended September 30, 2007 compared to the prior year. The disproportionate growth in net revenue from cash advance activities is mostly due to the inclusion of the operations of the online distribution channel acquired in September 2006 that were not in the full comparable periods through September 2006. These trends are depicted in the following graphs:

**Table of Contents****Quarter Ended September 30, 2007 Compared To Quarter Ended September 30, 2006**

**Consolidated Net Revenue.** Consolidated net revenue increased \$54.2 million, or 45.3%, to \$173.8 million during the three months ended September 30, 2007 (the current quarter ) from \$119.6 million during the three months ended September 30, 2006 (the prior year quarter ). The following table sets forth net revenue by operating segment for the three months ended September 30, 2007 and 2006 (\$ in thousands):

|   | Three Months Ended September 30, |            |              |        |
|---|----------------------------------|------------|--------------|--------|
|   | 2007                             | 2006       | Inc./ (Dec.) |        |
| Cash advance operations    storefront       | \$ 36,075                        | \$ 34,702  | \$ 1,373     | 4.0%   |
| Cash advance operations    internet lending | 49,867                           | 3,623      | 46,244       | 127.6  |
| Total cash advance operations               | 85,942                           | 38,325     | 47,617       | 124.2  |
| Pawn lending operations                     | 87,058                           | 80,255     | 6,803        | 8.5    |
| Check cashing operations                    | 819                              | 1,056      | (237)        | (22.4) |
| Consolidated net revenue                    | \$ 173,819                       | \$ 119,636 | \$ 54,183    | 45.3%  |

The components of consolidated net revenue are finance and service charges from pawn loans, which increased \$2.0 million; profit from the disposition of merchandise, which increased \$5.5 million; cash advance fees generated from pawn locations, cash advance locations and via the internet distribution channel, which increased \$47.0 million; and combined segment revenue from check cashing fees, royalties and other, which decreased \$343,000.

**Finance and Service Charges.** Finance and service charges from pawn loans increased \$2.0 million, or 5.0%, from \$39.4 million in the prior year quarter to \$41.4 million in the current quarter. The increase is due primarily to higher year over year loan balances attributable to the increased amount of pawn loans written through existing and new locations added during 2006 and 2007. An increase in the average balance of pawn loans outstanding contributed \$132,000 of the increase and the higher annualized yield, which is a function of the blend in permitted rates for fees and service charges on pawn loans in all operating locations of the Company of the pawn loan portfolio, contributed \$1.9 million of the increase. In addition, the Company's decision to reduce the maximum loan term from 90 days to 60 days in approximately 200 pawn locations caused an enhancement to loan yields as the average balance of loans outstanding declined and customer payments of finance and service charges occurred earlier than in prior periods.

The average balances of pawn loans outstanding during the current quarter increased by \$4.1 million, or 3.1%, compared to the prior year quarter. The increase was driven by a 3.9% increase in the average amount per loan outstanding that was partially offset by a 0.7% decrease in the average number of pawn loans outstanding during the current quarter. Management believes that the decrease in the average number of pawn loans outstanding could be related to the fact that higher advance rates on loans secured by gold collateral, such as jewelry, can allow customers to reduce the number of loans needed to achieve their needs.

Pawn loan balances at September 30, 2007 were \$136.7 million, which was 2.2% higher than at September 30, 2006. Annualized loan yield was 121.4% in the current quarter, compared to 119.3% in the prior year quarter. Same store pawn loan balances at September 30, 2007 were \$0.7 million, or 0.5%, lower than at September 30, 2006, primarily due to the reduced maximum loan term in certain locations.

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**Profit from Disposition of Merchandise.** Profit from disposition of merchandise represents the proceeds received from disposition of merchandise in excess of the cost of disposed merchandise. The following table summarizes the proceeds from disposition of merchandise and the related profit for the current quarter compared to the prior year quarter (\$ in thousands):

|                            | Three Months Ended September 30, |                         |          |                  |                         |          |
|----------------------------|----------------------------------|-------------------------|----------|------------------|-------------------------|----------|
|                            | Merch-<br>andise                 | 2007<br>Refined<br>Gold | Total    | Merch-<br>andise | 2006<br>Refined<br>Gold | Total    |
| Proceeds from dispositions | \$61,483                         | \$29,883                | \$91,366 | \$55,712         | \$18,714                | \$74,426 |
| Profit on disposition      | \$24,848                         | \$ 8,825                | \$33,673 | \$22,484         | \$ 5,661                | \$28,145 |
| Profit margin              | 40.4%                            | 29.5%                   | 36.9%    | 40.4%            | 30.3%                   | 37.8%    |
| Percentage of total profit | 73.8%                            | 26.2%                   | 100.0%   | 79.9%            | 20.1%                   | 100.0%   |

The total proceeds from disposition of merchandise and refined gold increased \$16.9 million, or 22.8%, and the total profit from the disposition of merchandise and refined gold increased \$5.5 million, or 19.6%. Overall gross profit margin decreased from 37.8% in the prior year quarter to 36.9% in the current quarter, primarily due to an increase in the proportionate share of lower profit margin refined gold sales than in the prior year quarter. Proceeds from disposition of merchandise (including jewelry sales), excluding refined gold, increased \$5.8 million, or 10.4%, in the current quarter compared to the prior year quarter. Excluding the effect of the disposition of refined gold, the profit margin on the disposition of merchandise was 40.4% for both the current quarter and the prior year quarter. The profit margin on the disposition of refined gold decreased to 29.5% in the current quarter compared to 30.3% in the prior year quarter. The increase in gross profit dollars on the disposition of refined gold during the current quarter is primarily attributable to the 32% higher number of ounces of gold sold and a 20% higher price per ounce. Cost of goods sold increased as a result of a 24% rise in cost per ounce leading to a lower gross profit margin on refined gold compared to the prior year quarter.

The higher level of retail sales activity and refined gold sales was supported by higher levels of merchandise available for disposition entering the current quarter and by the net addition of 20 pawn locations since September 30, 2006. The consolidated merchandise turnover rate was 2.5 times during the current quarter compared to 2.4 times during the prior year quarter. Management expects that profit margin on the disposition of merchandise in the near term will likely remain at or slightly below current levels mainly due to higher inventory levels and an increase in the percentage mix of refined gold sales, which typically have lower gross profit margins.

The table below summarizes the age of merchandise held for disposition before valuation allowance of \$2.1 million at September 30, 2007 and \$2.0 million at September 30, 2006 (\$ in thousands).

|                                       | 2007      |       | 2006      |       |
|---------------------------------------|-----------|-------|-----------|-------|
|                                       | Amount    | %     | Amount    | %     |
| Merchandise held for 1 year or less   |           |       |           |       |
| Jewelry                               | \$ 60,747 | 60.3% | \$ 49,908 | 58.6% |
| Other merchandise                     | 30,405    | 30.1  | 27,156    | 31.9  |
|                                       | 91,152    | 90.4  | 77,064    | 90.5  |
| Merchandise held for more than 1 year |           |       |           |       |
| Jewelry                               | 6,008     | 6.0   | 5,125     | 6.0   |
| Other merchandise                     | 3,709     | 3.6   | 3,010     | 3.5   |
|                                       | 9,717     | 9.6   | 8,135     | 9.5   |

|  |            |        |           |        |
|--|------------|--------|-----------|--------|
| Total merchandise held for disposition | \$ 100,869 | 100.0% | \$ 85,199 | 100.0% |
|--|------------|--------|-----------|--------|

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**Cash Advance Fees.** Cash advance fees increased \$47.0 million, or 97.1%, to \$95.4 million in the current quarter from \$48.4 million in the prior year quarter. The increase in revenue from cash advance fees is predominately due to the increase in customers through the Company's offering of the product through its online distribution channel, and to a lesser extent, the increase and growth of storefront locations. As of September 30, 2007, the cash advance products were available in 732 lending locations, including 431 pawnshops and 301 cash advance locations, and through the online distribution channel. Of these lending locations, 319 arrange for customers to obtain cash advance products from independent third-party lenders for a fee. Cash advance fees from same stores decreased \$174,000, or 0.4%, to \$44.0 million in the current quarter as compared to \$44.1 million in the prior year quarter primarily due to significantly lower volumes in pawn lending locations that offer the cash advance product.

Cash advance fees include revenue from the cash advance portfolio owned by the Company and fees paid to the Company for arranging for cash advance products from independent third-party lenders for customers. (Although cash advance transactions may take the form of loans or deferred check deposit transactions, the transactions are referred to throughout this discussion as "cash advances" for convenience.)

The following table sets forth cash advance fees by operating segment for the three months ended September 30, 2007 and 2006 (\$ in thousands):

|                                |                  | Three Months Ended September 30, |           |              |         |
|--------------------------------|------------------|----------------------------------|-----------|--------------|---------|
|                                |                  | 2007                             | 2006      | Inc./ (Dec.) |         |
| Cash advance operations        | storefront       | \$ 34,249                        | \$ 32,815 | \$ 1,434     | 4.4%    |
| Cash advance operations        | internet lending | 49,867                           | 3,623     | 46,244       | 1,276.4 |
| Total cash advance operations  |                  | 84,116                           | 36,438    | 47,678       | 130.8   |
| Pawn lending operations        |                  | 11,301                           | 11,963    | (662)        | (5.5)   |
| Consolidated cash advance fees |                  | \$ 95,417                        | \$ 48,401 | \$ 47,016    | 97.1%   |

The amount of cash advances written increased by \$242.5 million, or 82.1%, to \$537.8 million in the current quarter from \$295.3 million in the prior year quarter. Included in the amount of cash advances written in the current quarter and the prior year quarter were \$175.9 million and \$92.0 million, respectively, of cash advances extended to customers by third-party lenders. The average amount per cash advance increased to \$417 from \$379. The combined Company and third-party lender portfolios of cash advances generated \$96.4 million in revenue during the current quarter compared to \$50.0 million in the prior year quarter. The outstanding combined portfolio balance of cash advances increased \$47.1 million, or 48.2%, to \$144.8 million at September 30, 2007 from \$97.7 million at September 30, 2006. Those amounts included \$113.7 million and \$81.3 million at September 30, 2007 and 2006, respectively, which are included in the Company's consolidated balance sheets. An allowance for losses of \$30.9 million and \$11.1 million has been provided in the consolidated financial statements for September 30, 2007 and 2006, respectively, which is netted against the outstanding cash advance amounts on the Company's consolidated balance sheets.

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The following table summarizes cash advances outstanding at September 30, 2007 and 2006 and contains certain non-Generally Accepted Accounting Principles ( non-GAAP ) measures with respect to the cash advances owned by third-party lenders that are not included in the Company s consolidated balance sheets. The Company believes that presenting these non-GAAP measures is meaningful and necessary because management evaluates and measures the cash advance portfolio performance on an aggregate basis (\$ in thousands).

|  | September 30,    |                  |
|--|------------------|------------------|
|  | 2007             | 2006             |
| <i>Funded by the Company</i> <sup>(a)</sup>  |                  |                  |
| Active cash advances and fees receivable   | \$ 69,005        | \$ 54,741        |
| Cash advances and fees in collection   | 28,817           | 20,146           |
| <b>Total funded by the Company</b> <sup>(a)</sup>  | <b>97,822</b>    | <b>74,887</b>    |
| <i>Funded by the third-party lenders</i> <sup>(b) (c)</sup>  |                  |                  |
| Active cash advances and fees receivable   | 31,069           | 17,072           |
| Cash advances and fees in collection   | 15,888           | 5,773            |
| <b>Total funded by third-party lenders</b> <sup>(b) (c)</sup>  | <b>46,957</b>    | <b>22,845</b>    |
| <i>Combined gross portfolio</i> <sup>(b) (d)</sup>   | 144,779          | 97,732           |
| Less: Elimination of cash advances owned by third-party lenders  | 31,069           | 16,390           |
| <b>Company-owned cash advances and fees receivable, gross</b>  | <b>113,710</b>   | <b>81,342</b>    |
| Less: Allowance for losses   | 30,925           | 11,089           |
| <b>Cash advances and fees receivable, net</b>  | <b>\$ 82,785</b> | <b>\$ 70,253</b> |
| Allowance for loss on Company-owned cash advances  | \$ 30,925        | \$ 11,089        |
| Accrued losses on third-party lender owned cash advances   | 1,832            | 753              |
| <b>Combined allowance for losses and accrued third-party lender losses</b>   | <b>\$ 32,757</b> | <b>\$ 11,842</b> |
| <b>Combined allowance for losses and accrued third-party lender losses as a % of combined gross portfolio</b> <sup>(b)</sup> | <b>22.6%</b>     | <b>12.1%</b>     |

<sup>(a)</sup> Cash advances written by the Company in its pawn and cash advance locations and through the Company s internet distribution channel.

- (b) Non-GAAP presentation.  
For informational purposes and to provide a greater understanding of the Company's businesses. Management believes that information provided with this level of detail is meaningful and useful in understanding the activities and business metrics of the Company's operations.
- (c) Cash advances written by third-party lenders that were arranged by the Company on behalf of the third-party lenders, all at the Company's pawn and cash advance locations and through the Company's internet distribution channel.
- (d) Includes (i) cash advances written by the Company, and (ii) cash

advances  
written by  
third-party  
lenders that  
were arranged  
by the Company  
on behalf of the  
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lenders, all at  
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through the  
Company's  
internet  
distribution  
channel.

Management anticipates continued growth in consolidated cash advance fees for the remainder of 2007, primarily due to increased consumer awareness and demand for the cash advance product, higher outstanding balances at September 30, 2007 compared to September 30, 2006, the continued growth of the internet distribution channel, the growth of balances from new units opened in 2006 and 2007, and additional planned openings in 2007.

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**Check Cashing Fees, Royalties and Other.** Check cashing fees, royalties and other income from all segments decreased \$343,000 to \$3.3 million in the current quarter, or 9.3%, from \$3.7 million in the prior year quarter primarily due to an increase in competition. The components of these fees are as follows (in thousands):

|                    | Three Months Ended September 30, |              |               |          |              |              |               |          |
|--------------------|----------------------------------|--------------|---------------|----------|--------------|--------------|---------------|----------|
|                    | 2007                             |              |               |          | 2006         |              |               |          |
|                    | Pawn Lending                     | Cash Advance | Check Cashing | Total    | Pawn Lending | Cash Advance | Check Cashing | Total    |
| Check cashing fees | \$ 148                           | \$ 1,044     | \$ 106        | \$ 1,298 | \$ 127       | \$ 1,171     | \$ 125        | \$ 1,423 |
| Royalties          | 134                              |              | 692           | 826      | 161          | -            | 814           | 975      |
| Other              | 416                              | 782          | 21            | 1,219    | 455          | 716          | 117           | 1,288    |
|                    | \$ 698                           | \$ 1,826     | \$ 819        | \$ 3,343 | \$ 743       | \$ 1,887     | \$ 1,056      | \$ 3,686 |

**Operations Expenses.** Consolidated operations expenses, as a percentage of total revenue, were 32.3% in the current quarter compared to 35.1% in the prior year quarter. These expenses increased \$16.4 million, or 28.2%, in the current quarter compared to the prior year quarter. Pawn lending operating expenses increased \$3.8 million, or 8.8%, to \$47.0 million, primarily due to the net unit increase in pawn lending operations. The increase in operations expenses for the cash advance operations of \$12.7 million, or 85.8%, is primarily attributable to the acquisition of a subsidiary that offers cash advances online, the net addition of cash advance locations and increased marketing and selling expenses.

As a multi-unit operator in the consumer finance industry, the Company's operations expenses are predominately related to personnel and occupancy expenses. Personnel expenses include base salary and wages, performance incentives, and benefits. Occupancy expenses include rent, property taxes, insurance, utilities, and maintenance. The combination of personnel and occupancy expenses represents 80.4% of total operations expenses in the current quarter and 85.3% in the prior year quarter. Other operations expenses increased \$6.1 million, or 71.3%, primarily due to an increase of \$5.5 million in marketing and selling expenses. The comparison is as follows (\$ in thousands):

|           | Three Months Ended September 30, |              |           |              |
|-----------|----------------------------------|--------------|-----------|--------------|
|           | 2007                             |              | 2006      |              |
|           | Amount                           | % of Revenue | Amount    | % of Revenue |
| Personnel | \$ 41,735                        | 18.0%        | \$ 33,525 | 20.2%        |
| Occupancy | 18,279                           | 7.9          | 16,168    | 9.7          |
| Other     | 14,681                           | 6.4          | 8,570     | 5.2          |
| Total     | \$ 74,695                        | 32.3%        | \$ 58,263 | 35.1%        |

**Administration Expenses.** Consolidated administration expenses, as a percentage of total revenue, were 7.1% in the current quarter compared to 8.2% in the prior year quarter. The increase in administration expenses was principally attributable to the acquisition of a subsidiary that offers cash advances online, increased staffing levels, annual salary adjustments and net unit additions. The components of administration expenses for the three months ended September 30, 2007 and 2006 are as follows (\$ in thousands):

|           | Three Months Ended September 30, |              |          |              |
|-----------|----------------------------------|--------------|----------|--------------|
|           | 2007                             |              | 2006     |              |
|           | Amount                           | % of Revenue | Amount   | % of Revenue |
| Personnel | \$ 10,942                        | 4.7%         | \$ 8,913 | 5.4%         |

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|       |           |      |           |      |
|-------|-----------|------|-----------|------|
| Other | 5,508     | 2.4  | 4,667     | 2.8  |
| Total | \$ 16,450 | 7.1% | \$ 13,580 | 8.2% |

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**Cash Advance Loss Provision.** The Company maintains an allowance for losses on cash advances at a level projected to be adequate to absorb credit losses inherent in the outstanding combined cash advance portfolio. The cash advance loss provision is used to increase the allowance carried against the outstanding company owned cash advance portfolio as well as expected losses in the third-party lender-owned portfolios that the Company guarantees as of the end of the period. The allowance is based on historical trends in portfolio performance based on the status of the balance owed by the customer with the full amount of the customer's obligations being completely reserved when they become 60 days past due. The cash advance loss provision was \$43.6 million for the current quarter and \$17.5 million for the prior year quarter. The loss provision reflected a \$26.1 million increase, principally due to the acquisition of a subsidiary that offers cash advances online, driven by the higher volume of combined cash advances written and portfolio performance trends. The loss provision as a percentage of combined cash advances written increased to 8.1% in the current quarter from 5.9% in the prior year quarter while actual net charge-offs (charge-offs less recoveries) as a percentage of combined cash advances written were 8.3% in the current quarter compared to 4.8% in the prior year quarter. The loss provision as a percentage of cash advance fees increased to 45.7% in the current quarter from 36.2% in the prior year quarter. These increases are mostly attributable to a significant increase in cash advance receivable balances and the inclusion of the cash advance balance from online customers which carry a higher loss rate.

On a sequential basis, the Company experienced an improvement in the loss metrics for its cash advance portfolio. The loss provision as a percent of cash advance fees declined from 48.7% in the second quarter of 2007 to 45.7% in the third quarter of 2007, and the loss provision as a percent of combined cash advances written decreased from 8.4% to 8.1%, respectively. This improvement in portfolio performance and loss rates is generally due to the seasoning of the online cash advance portfolio as the substantial increase in new customers (customers who had never used the product before, which have historically had the highest incidence of charge-offs) has moderated since the early stages of 2007.

During the current period, the Company's online distribution channel sold selected cash advances which had been previously written off. These sales generated proceeds of \$1.4 million in the current period. Those proceeds were recorded as recoveries on losses previously charged to the allowance for losses.

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The following table summarizes the cash advance loss provision for the three months ended September 30, 2007 and 2006, respectively, and contains certain non-GAAP measures with respect to the cash advances written by third-party lenders that are not included in the Company's consolidated balance sheets and related statistics. The Company believes that presenting these non-GAAP measures is meaningful and necessary because management evaluates and measures the cash advance portfolio performance on an aggregate basis including its evaluation of the loss provision for the Company-owned portfolio and the third-party lender-owned portfolio that the Company guarantees (\$ in thousands).

|  | Three Months Ended<br>September 30, |            |
|--|-------------------------------------|------------|
|  | 2007                                | 2006       |
| Cash advance loss provision:   |                                     |            |
| Loss provision on Company-owned cash advances  | \$ 43,604                           | \$ 17,641  |
| Loss provision on third-party owned cash advances  | 8                                   | (138)      |
| Combined cash advance loss provision   | \$ 43,612                           | \$ 17,503  |
| Charge-offs, net of recoveries   | \$ 44,854                           | \$ 14,093  |
| Cash advances written:   |                                     |            |
| By the Company <sup>(a)</sup>  | \$ 361,841                          | \$ 203,346 |
| By third-party lenders <sup>(b) (c)</sup>  | 175,942                             | 91,961     |
| Combined cash advances written <sup>(b) (d)</sup>  | \$ 537,783                          | \$ 295,307 |
| Combined cash advance loss provision as a % of combined cash advances written <sup>(b)</sup> | 8.1%                                | 5.9%       |
| Charge-offs (net of recoveries) as a % of combined cash advances written <sup>(b)</sup>      | 8.3%                                | 4.8%       |

<sup>(a)</sup> Cash advances written by the Company in its pawn and cash advance locations and through the Company's internet distribution channel.

<sup>(b)</sup> Non-GAAP presentation. For informational purposes and to provide a greater understanding

of the  
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Company's  
operations.

- (c) Cash advances written by third-party lenders that were arranged by the Company on behalf of the third-party lenders, all at the Company's pawn and cash advance locations and through the Company's internet distribution channel.
- (d) Includes (i) cash advances written by the Company, and (ii) cash advances written by third-party lenders that were arranged by the Company on behalf of the third-party lenders, all at

the Company's  
pawn and cash  
advance  
locations and  
through the  
Company's  
internet  
distribution  
channel.

**Depreciation and Amortization.** Depreciation and amortization expense as a percentage of total revenue was 3.6% in the current quarter and 4.2% in the prior year quarter. Total depreciation and amortization expense increased \$1.3 million, or 19.0%, primarily due to the increase in operating locations and the amortization of certain intangible assets obtained in acquisitions. Management expects depreciation expense to increase in future periods as a result of future capital expenditures and continued remodeling of existing locations.

**Interest Expense.** Interest expense as a percentage of total revenue was 1.9% in both the current quarter and in the prior year quarter. Interest expense increased \$1.2 million, or 38.5%, to \$4.4 million in the current quarter as compared to \$3.1 million in the prior year quarter. The increase was primarily due to the higher average floating interest rate borrowings (\$140.2 million during the current quarter and \$97.0 million during the prior year quarter) and the higher weighted average floating interest rate (6.5% during the current quarter compared to 6.3% during the prior year quarter) and the issuance in December 2006 of \$60 million of senior unsecured long-term notes. The average amount of debt outstanding increased during the current quarter to \$261.5 million from \$179.2 million during the prior year quarter. This increase was primarily attributable to the acquisition of a subsidiary that offers online cash advances in the third quarter of 2006 and the first contingent earn-out payment funded in February 2007. The effective blended borrowing cost was 6.4% in the current quarter and 6.6% in the prior year quarter. In future periods management expects higher levels of debt largely due to the potential funding requirements of the CashNetUSA supplemental acquisition payments.

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**Interest Income.** Interest income was \$145,000 in the current quarter compared to \$435,000 in the prior year quarter. The interest income is primarily from the two notes receivable denominated in Swedish kronor that the Company held in connection with its 2004 sale of its foreign pawn lending operations. The notes were sold in August 2007. Going forward, interest income will be significantly reduced compared to prior periods.

**Foreign Currency Transaction Gain/Loss.** The two Swedish kronor denominated notes were sold in August 2007. Exchange rate changes between the United States dollar and the Swedish kronor resulted in a net gain of \$5,000 (net of a loss of \$12,000 from foreign currency forward contracts) in the current quarter and \$67,000 (including a gain of \$6,000 from foreign currency forward contracts) in the prior year quarter. The foreign currency forward contracts totaling 68 million Swedish kronor (approximately \$9.9 million at maturity) were established by the Company in 2005 to minimize the financial impact of currency market fluctuations.

**Gain on Sale of Foreign Notes.** In August 2007, the Company received gross proceeds in the amount of \$16.8 million on the sale of notes receivable that it had received in 2004 as part of the proceeds from the sale of Svensk Pantbelåning, its former Swedish pawn lending subsidiary. In September 2004, the Company sold Svensk Pantbelåning to Rutland Partners, LLP for cash and two subordinated notes receivable. One of the notes receivable was convertible into approximately 27.7% of the parent company of Svensk Pantbelåning on a fully-diluted basis. In August 2007, Rutland Partners LLP sold Svensk Pantbelåning to a third party who also purchased the notes receivable from the Company. The Company's total proceeds of \$16.8 million represent \$12.4 million in the repayment of principal and interest owed on notes receivable and \$4.4 million for the value of its conversion rights under the convertible note. For the three months ended September 30, 2007, the Company recognized a pre-tax gain of approximately \$6.3 million from the sale of the notes. Proceeds from the sale were used for general corporate purposes, including the repayment of debt and the repurchase of shares in the open market pursuant to an existing share repurchase authorization.

**Income Taxes.** The Company's effective tax rate was 37.2% for the current quarter compared to 37.4% for the prior year quarter.

**Nine Months Ended September 30, 2007 Compared To Nine Months Ended September 30, 2006**

**Consolidated Net Revenue.** Consolidated net revenue increased \$159.0 million, or 47.2%, to \$495.9 million during the nine months ended September 30, 2007 (the current period) from \$336.9 million during the nine months ended September 30, 2006 (the prior year period). The following table sets forth net revenue by operating segment for the nine months ended September 30, 2007 and 2006 (\$ in thousands):

|                               |                  | Nine Months Ended September 30, |            |              |         |
|-------------------------------|------------------|---------------------------------|------------|--------------|---------|
|                               |                  | 2007                            | 2006       | Inc./ (Dec.) |         |
| Cash advance operations       | storefront       | \$ 103,012                      | \$ 94,939  | \$ 8,073     | 8.5%    |
| Cash advance operations       | internet lending | 134,234                         | 3,623      | 130,611      | 3,605.1 |
| Total cash advance operations |                  | 237,246                         | 98,562     | 138,684      | 140.7   |
| Pawn lending operations       |                  | 255,800                         | 235,249    | 20,551       | 8.7     |
| Check cashing operations      |                  | 2,817                           | 3,080      | (263)        | (8.5)   |
| Consolidated net revenue      |                  | \$ 495,863                      | \$ 336,891 | \$ 158,972   | 47.2%   |

Higher revenue from the Company's cash advance product, higher finance and service charges from pawn loans and higher profit from the disposition of merchandise accounted for the increase in net revenue.

The components of consolidated net revenue are finance and service charges from pawn loans, which increased \$8.0 million; profit from the disposition of merchandise, which increased \$12.7 million; cash advance fees generated from pawn locations, cash advance locations and via the internet distribution

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channel, which increased \$137.6 million; and combined segment revenue from check cashing fees, royalties and other, which increased \$686,000.

**Finance and Service Charges.** Finance and service charges from pawn loans increased \$8.0 million, or 7.3%, from \$109.0 million in the prior year period to \$117.0 million in the current period. The increase is primarily due to higher loan balances attributable to the increased amount of pawn loans written through existing and new locations added during 2006 and 2007. An increase in the average balance of pawn loans outstanding contributed \$3.0 million of the increase and the higher annualized yield, which is a function of the blend in permitted rates for fees and service charges on pawn loans in all operating locations of the Company of the pawn loan portfolio, contributed \$5.0 million of the increase. In addition, the Company's decision to reduce the maximum loan term from 90 days to 60 days in approximately 200 pawn locations caused an enhancement to loan yields as the average balance of loans outstanding declined and customer payments of finance and service charges accrued earlier than in prior periods.

The average balance of pawn loans outstanding during the current period increased by \$7.7 million, or 6.6%, compared to the prior year period. The increase was driven by a 8.1% increase in the average amount per loan outstanding that was partially offset by a 1.4% decrease in the average number of pawn loans outstanding during the current period. Annualized loan yield was 124.1% in the current period, compared to 123.3% in the prior year period.

**Profit from Disposition of Merchandise.** Profit from disposition of merchandise represents the proceeds received from disposition of merchandise in excess of the cost of disposed merchandise. The following table summarizes the proceeds from disposition of merchandise and the related profit for the current period compared to the prior year period (dollars in thousands):

|                            | Nine Months Ended September 30, |                 |            |                  |                 |            |
|----------------------------|---------------------------------|-----------------|------------|------------------|-----------------|------------|
|                            | 2007                            |                 |            | 2006             |                 |            |
|                            | Merch-<br>andise                | Refined<br>Gold | Total      | Merch-<br>andise | Refined<br>Gold | Total      |
| Proceeds from dispositions | \$ 196,571                      | \$ 80,771       | \$ 277,342 | \$ 181,785       | \$ 52,387       | \$ 234,172 |
| Profit on disposition      | \$ 79,872                       | \$ 25,068       | \$ 104,940 | \$ 75,182        | \$ 17,081       | \$ 92,263  |
| Profit margin              | 40.6%                           | 31.0%           | 37.8%      | 41.4%            | 32.6%           | 39.4%      |
| Percentage of total profit | 76.1%                           | 23.9%           | 100.0%     | 81.5%            | 18.5%           | 100.0%     |

While the total proceeds from disposition of merchandise and refined gold increased \$43.2 million, or 18.4%, the total profit from the disposition of merchandise and refined gold increased \$12.7 million, or 13.7%, primarily due to higher levels of retail sales offset by lower gross profit margin on the disposition of refined gold. Overall gross profit margin decreased from 39.4% in the prior year period to 37.8% in the current period as the percentage of lower profit margin refined gold sales was higher than the prior year period which diluted overall margins slightly. In addition, excluding the effect of the disposition of refined gold, the profit margin on the disposition of merchandise (including jewelry sales) was 40.6% and 41.4% for the current period and the prior year period, respectively. The profit margin on the disposition of refined gold decreased to 31.0% in the current period compared to 32.6% in the prior year period primarily due to the increase in cost per ounce. The increase in gross profit dollars on the disposition of refined gold during the current quarter is primarily attributable to the 27% higher number of ounces of gold sold and a 22% higher price per ounce. Cost of goods sold increased as a result of a 28% rise in cost per ounce leading to a drop in the gross profit margin on refined gold compared to the prior year period. Proceeds from disposition of merchandise, excluding refined gold, increased \$14.8 million, or 8.1%, in the current period compared to the prior year period.

The higher level of retail sales activity was supported by higher levels of merchandise available for disposition entering the current period and by the net addition of 20 pawn locations since September 30, 2006. The consolidated merchandise turnover rate was 2.7 times during the current period compared to 2.6

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times during the prior year period.

**Cash Advance Fees.** Cash advance fees increased \$137.7 million, or 111.7%, to \$260.9 million in the current period from \$123.2 million in the prior year period. The increase was primarily due to the addition of the online distribution channel and, to a lesser extent, the growth and development of new cash advance units. Cash advance fees from same stores increased \$4.8 million, or 4.1%, to \$121.5 million in the current period as compared to \$116.7 million in the prior year period.

The following table sets forth cash advance fees by operating segment for the nine months ended September 30, 2007 and 2006 (\$ in thousands):

|                                |                  | Nine Months Ended September 30, |            |            |         |
|--------------------------------|------------------|---------------------------------|------------|------------|---------|
|                                |                  | 2007                            | 2006       | Increase   |         |
| Cash advance operations        | storefront       | \$ 95,240                       | \$ 87,719  | \$ 7,521   | 8.5%    |
| Cash advance operations        | internet lending | 134,229                         | 3,623      | 130,606    | 3,604.9 |
| Total cash advance operations  |                  | 229,469                         | 91,342     | 138,127    | 151.2   |
| Pawn lending operations        |                  | 31,411                          | 31,893     | (482)      | (1.5)%  |
| Consolidated cash advance fees |                  | \$ 260,880                      | \$ 123,235 | \$ 137,645 | 111.7%  |

The amount of cash advances written increased by \$733.6 million, or 97.6%, to \$1.5 billion in the current period from \$752.0 million in the prior year period. Included in the amount of cash advances written in the current period and the prior year period were \$478.3 million and \$255.7 million, respectively, of cash advances extended to customers by third-party lenders. The average amount per cash advance increased to \$410 from \$382. The combined Company and third-party lender portfolios of cash advances generated \$129.3 million in revenue during the current period compared to \$122.9 million in the prior year period.

**Check Cashing Fees, Royalties and Other.** Check cashing fees, royalties and other income increased \$686,000, or 5.5%, to \$13.0 million in the current period, from \$12.4 million in the prior year period, primarily due to expanded product offerings and their success in pawn locations and revenue growth in cash advance units. However, this growth has been partially inhibited by an increase in competition. The components of these fees are as follows (in thousands):

|                    | Nine Months Ended September 30, |              |               |           |              |              |               |           |
|--------------------|---------------------------------|--------------|---------------|-----------|--------------|--------------|---------------|-----------|
|                    | 2007                            |              |               |           | 2006         |              |               |           |
|                    | Pawn Lending                    | Cash Advance | Check Cashing | Total     | Pawn Lending | Cash Advance | Check Cashing | Total     |
| Check cashing fees | \$ 617                          | \$ 4,620     | \$ 380        | \$ 5,617  | \$ 177       | \$ 4,792     | \$ 441        | \$ 5,410  |
| Royalties          | 394                             | -            | 2,381         | 2,775     | 466          | -            | 2,476         | 2,942     |
| Other              | 1,427                           | 3,157        | 56            | 4,640     | 1,403        | 2,428        | 163           | 3,994     |
|                    | \$ 2,438                        | \$ 7,777     | \$ 2,817      | \$ 13,032 | \$ 2,046     | \$ 7,220     | \$ 3,080      | \$ 12,346 |

**Operations Expenses.** Consolidated operations expenses, as a percentage of total revenue, were 33.2% in the current period compared to 37.0% in the prior year period. These expenses increased \$44.5 million, or 25.1%, in the current period compared to the prior year period. Pawn lending operating expenses increased \$8.5 million, or 6.4%, primarily due to higher personnel costs and increased occupancy expenses partly due to the net increase of 20 pawnshop locations since September 30, 2006, and an increase in store level incentives. Cash advance operating expenses increased \$36.0 million, or 81.9%, primarily as a result of the acquisition of a subsidiary that offers cash advances online. The increase in other operations expenses was primarily due to the increase in marketing and selling expenses.

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The combination of personnel and occupancy expenses represents 79.0% of total operations expenses in the current period and 84.6% in the prior year period. Other operations expenses increased \$19.2 million, or 70.4%, primarily due to an increase of \$17.0 million in marketing and selling expenses. The comparison is as follows (\$ in thousands):

|           | Nine Months Ended September 30, |              |            |              |
|-----------|---------------------------------|--------------|------------|--------------|
|           | 2007                            |              | 2006       |              |
|           | Amount                          | % of Revenue | Amount     | % of Revenue |
| Personnel | \$ 122,092                      | 18.3%        | \$ 101,791 | 21.3%        |
| Occupancy | 53,057                          | 7.9          | 48,080     | 10.0         |
| Other     | 46,523                          | 7.0          | 27,307     | 5.7          |
| Total     | \$ 221,672                      | 33.2%        | \$ 177,178 | 37.0%        |

**Administration Expenses.** Consolidated administration expenses, as a percentage of total revenue, were 6.6% in the current period compared to 8.5% in the prior year period. The components of administration expenses for the nine months ended September 30, 2007 and 2006 are as follows (\$ in thousands):

|           | Nine Months Ended September 30, |              |           |              |
|-----------|---------------------------------|--------------|-----------|--------------|
|           | 2007                            |              | 2006      |              |
|           | Amount                          | % of Revenue | Amount    | % of Revenue |
| Personnel | \$ 28,987                       | 4.3%         | \$ 27,289 | 5.7%         |
| Other     | 14,989                          | 2.3          | 13,158    | 2.8          |
| Total     | \$ 43,976                       | 6.6%         | \$ 40,447 | 8.5%         |

Periodically the Company evaluates its reserves for health and workers compensation benefits. During the current period, the Company adjusted reserves downward consistent with past practices which reduced the administrative expenses in the current period. Before the reduction in personnel expense from these credits, the increase in administration expenses was principally attributable to the acquisition of a subsidiary that offers cash advances online, increased staffing levels, annual salary adjustments and net unit additions.

**Cash Advance Loss Provision.** The cash advance loss provision was \$118.7 million for the current period and \$32.7 million for the prior year period. The loss provision reflected an \$86.0 million increase, principally due to the acquisition of a subsidiary that offers cash advances online, driven by the higher volume of combined cash advances written and portfolio performance trends. The loss provision as a percentage of combined cash advances written increased to 8.0% in the current period from 4.4% in the prior year period while actual net charge-offs (charge-offs less recoveries) as a percentage of combined cash advances written were 7.2% in the current period compared to 3.7% in the prior year period. The loss provision as a percentage of cash advance fees increased to 45.5% in the current period from 26.6% in the prior year period. These increases are mostly attributable to a significant increase in cash advance receivable balances and the inclusion of the cash advance balance from online customers which carry a higher loss rate.

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During the current period, the Company's online distribution channel sold selected cash advances which had been previously written off. These sales generated proceeds of \$3.5 million. Included in this amount was \$2.6 million related to loans originated after the acquisition of the online distribution channel. Those proceeds were recorded as recoveries on losses previously charged to the allowance for losses.

The following table summarizes the cash advance loss provision for the nine months ended September 30, 2007 and 2006 (\$ in thousands):

|  | Nine Months Ended<br>September 30, |            |
|--|------------------------------------|------------|
|  | 2007                               | 2006       |
| Cash advance loss provision:   |                                    |            |
| Loss provision on Company-owned cash advances  | \$ 118,011                         | \$ 32,859  |
| Loss provision on third-party owned cash advances  | 677                                | (121)      |
| Combined cash advance loss provision   | \$ 118,688                         | \$ 32,738  |
| Charge-offs, net of recoveries   | \$ 106,599                         | \$ 28,079  |
| Cash advances written:   |                                    |            |
| By the Company <sup>(a)</sup>  | \$ 1,007,283                       | \$ 496,307 |
| By third-party lenders <sup>(b) (c)</sup>  | 478,274                            | 255,668    |
| Combined cash advances written <sup>(b) (d)</sup>  | \$ 1,485,557                       | \$ 751,975 |
| Combined cash advance loss provision as a % of combined cash advances written <sup>(b)</sup> | 8.0%                               | 4.4%       |
| Charge-offs (net of recoveries) as a % of combined cash advances written <sup>(b)</sup>      | 7.2%                               | 3.7%       |

<sup>(a)</sup> Cash advances written by the Company in its pawn and cash advance locations and through the Company's internet distribution channel.

<sup>(b)</sup> Non-GAAP presentation. For informational purposes and to provide a greater understanding

of the  
Company's  
businesses.  
Management  
believes that  
information  
provided with  
this level of  
detail is  
meaningful and  
useful in  
understanding  
the activities  
and business  
metrics of the  
Company's  
operations.

- (c) Cash advances written by third-party lenders that were arranged by the Company on behalf of the third-party lenders, all at the Company's pawn and cash advance locations and through the Company's internet distribution channel.
- (d) Includes (i) cash advances written by the Company, and (ii) cash advances written by third-party lenders that were arranged by the Company on behalf of the third-party lenders, all at

the Company's  
pawn and cash  
advance  
locations and  
through the  
Company's  
internet  
distribution  
channel.

**Depreciation and Amortization.** Depreciation and amortization expense as a percentage of total revenue was 3.5% in the current period and 4.1% in the prior year period. Total depreciation and amortization expense increased \$3.9 million, or 19.7%, primarily due to the increase in operating locations and the amortization of certain intangible assets obtained in acquisitions.

**Interest Expense.** Interest expense as a percentage of total revenue was 1.8% in the current period and 1.7% in the prior year period. Interest expense increased \$4.1 million, or 51.3%, to \$12.1 million in the current period as compared to \$8.0 million in the prior year period. The increase was primarily due to the higher average floating interest rate borrowings (\$105.7 million during the current period and \$61.9 million during the prior year period) and the higher weighted average floating interest rate (6.4% during the current period compared to 6.0% during the prior year period) and the issuance in December 2006 of \$60 million of senior unsecured long-term notes. The average amount of debt outstanding increased during the current period to \$235.6 million from \$149.7 million during the prior year period primarily attributable to the acquisition of CashNetUSA in the third quarter of 2006 and the first contingent earn-out payment funded in February 2007. The effective blended borrowing cost was 6.5% in the current period and 6.7% in the prior year period.

**Interest Income.** Interest income was \$1.0 million in the current period compared to \$1.2 million in the prior year period. The interest income is primarily from the two notes receivable denominated in Swedish kronor that the Company held in connection with its 2004 sale of its foreign pawn lending operations, which were sold in August 2007.

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**Foreign Currency Transaction Gain/Loss.** Exchange rate changes between the United States dollar and the Swedish kronor resulted in a net gain of \$63,000 (including a gain of \$52,000 from foreign currency forward contracts) in the current period and \$245,000 (net of a loss of \$469,000 from foreign currency forward contracts) in the prior year period.

**Gain on Sale of Foreign Notes.** The Company received gross proceeds in the amount of \$16.8 million on the sale of notes receivable that it had received in 2004 as part of the proceeds from its sale of Svensk Pantbelåning, its former Swedish pawn lending subsidiary. In September 2004, the Company sold Svensk Pantbelåning to Rutland Partners LLP, for cash and two subordinated notes receivable. One of the notes receivable was convertible into approximately 27.7% of the parent company of Svensk Pantbelåning on a fully-diluted basis. In August 2007, Rutland Partners LLP sold Svensk Pantbelåning to a third party who also purchased the notes receivable from the Company. The Company's total proceeds of \$16.8 million represent \$12.4 million in the repayment of principal and interest owed on notes receivable and \$4.4 million for the value of its conversion rights under the convertible note. For the three months ended September 30, 2007, the Company recognized a pre-tax gain of approximately \$6.3 million from the sale of the notes. Proceeds from the sale were used for general corporate purposes, including the repayment of debt and the repurchase of shares in the open market pursuant to an existing share repurchase authorization.

**Gain from Termination of Contract.** In the prior year, the Company entered into an agreement with a landlord of a lending location to terminate the lease and vacate the property for \$2.2 million (\$1.4 million net of related taxes) which was recognized as a gain in that period.

**Income Taxes.** The Company's effective tax rate was 36.1% for the current period compared to 37.0% for the prior year period. The decrease in the effective tax rate was primarily attributable to a decrease in state and local income taxes, including a \$1.1 million one-time deferred Texas margin tax credit, net of the federal income tax effect of the credit. This credit resulted from a change in Texas law enacted during the second quarter of 2007. Excluding the effect of the one-time Texas deferred tax benefit, the effective tax rate for the current period would have been 37.5%.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company's cash flows and other key indicators of liquidity are summarized as follows (\$ in thousands):

|                                       | Nine Months Ended<br>September 30, |             |
|---------------------------------------|------------------------------------|-------------|
|                                       | 2007                               | 2006        |
| Operating activities cash flows       | \$ 190,959                         | \$ 105,751  |
| Investing activities cash flows:      |                                    |             |
| Pawn loans                            | \$ (21,080)                        | \$ (28,457) |
| Cash advances                         | (119,982)                          | (42,315)    |
| Acquisitions                          | (38,564)                           | (48,931)    |
| Property and equipment additions      | (48,883)                           | (32,004)    |
| Proceeds from property insurance      | 1,316                              | 1,247       |
| Proceeds from termination of contract |                                    | 2,198       |
| Proceeds from sale of foreign notes   | 16,529                             |             |
| Financing activities cash flows       | \$ 20,398                          | \$ 53,900   |
| Working capital                       | \$ 282,205                         | \$ 288,692  |
| Current ratio                         | 3.2x                               | 4.7x        |
| Merchandise turnover                  | 2.7x                               | 2.6x        |

**Cash flows from operating activities.** Net cash provided by operating activities was \$191.0 million for the current period. Net cash generated from the Company's pawn lending operations, cash advance operations and check cashing operations were \$52.9 million, \$137.4 million and \$743,000, respectively. The

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improvement in cash flows from operating activities in the current period as compared to the prior year period was primarily due to the improvement in results of the pawn lending operations, the continued growth of a subsidiary that offers cash advances online and to the development of cash advance locations opened in recent periods.

Historically, the Company's finance and service charge revenue is highest in the fourth fiscal quarter (October through December) primarily due to higher average loan balances. Proceeds from the disposition of merchandise are also generally highest in the Company's fourth and first fiscal quarters (October through March) primarily due to the holiday season and the impact of tax refunds. The net effect of these factors is that income from operations typically is highest in the fourth and first fiscal quarters and likewise the Company's cash flow is generally greatest in these two fiscal quarters.

**Cash flows from investing activities.** The Company's pawn lending activities used cash of \$21.1 million and cash advance activities used cash of \$120.0 million during the current period. The Company also invested \$48.9 million in property and equipment, including \$14.5 million for the development of a new point-of-sale system and \$34.4 million for the establishment of new locations, the remodeling of certain locations, as well as development and enhancements to communications and information systems.

During the nine months ended September 30, 2007, the Company's acquisition of the assets of pawnshops used cash of \$3.7 million. Additionally, during the period, the Company made the first supplemental payment of \$33.8 million and paid other acquisition costs of approximately \$1.1 million in connection with the acquisition of substantially all of the assets of The Check Giant LLC (TCG). To the extent that the defined multiple of consolidated earnings attributable to the business acquired from TCG exceeds the total amounts paid through the supplemental payment measurement dates, as defined in the asset purchase agreement, the Company will make additional payments to the sellers. As of September 30, 2007, the Company has accrued to accounts payable approximately \$43.3 million for this payment based on the defined multiple of trailing twelve months earnings through September 30, 2007, expected to be paid in cash in November 2007. The next measurement date will be March 31, 2008.

During the nine months ended September 30, 2007, the Company received gross proceeds in the amount of \$16.8 million on the sale of notes receivable that it had received in 2004 as part of the proceeds from its sale of Svensk Pantbelåning, its former Swedish pawn lending subsidiary. In September 2004, the Company sold Svensk Pantbelåning to Rutland Partners LLP, for cash and two subordinated notes receivable. One of the notes receivable was convertible into approximately 27.7% of the parent company of Svensk Pantbelåning on a fully-diluted basis. In August 2007, Rutland Partners LLP sold Svensk Pantbelåning to a third party who also purchased the notes receivable from the Company. The Company's total proceeds of \$16.8 million represent \$12.4 million in the repayment of principal and interest owed on notes receivable and \$4.4 million for the value of its conversion rights under the convertible note. For the three months ended September 30, 2007, the Company recognized a pre-tax gain of approximately \$6.3 million from the sale of the notes. Proceeds from the sale were used for general corporate purposes, including the repayment of debt and the repurchase of shares in the open market pursuant to an existing share repurchase authorization.

Management anticipates that capital expenditures for the remainder of 2007 will be approximately \$10 to \$15 million primarily for the establishment of approximately three to ten combined total of new cash advance-only locations and pawnshops, for the remodeling of selected operating units, and for the continuing development and enhancements to communications and information systems. The additional capital required to make supplemental acquisition payments related to the CashNetUSA acquisition and to pursue other acquisition opportunities is not included in the estimate of capital expenditures because of the uncertainties surrounding such payments or any potential transaction of this nature at this time.

**Cash flows from financing activities.** During the current period, the Company borrowed \$61.3 million under its bank lines of credit. The Company reduced the balance owed on its senior unsecured notes by

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\$16.8 million through the scheduled principal payments. Additional uses of cash included \$3.1 million for dividends paid. On April 20, 2005, the Board of Directors authorized the Company's repurchase of up to a total of 1,500,000 shares of its common stock (the 2005 authorization). Management expects to purchase shares of the Company from time to time in the open market, and funding will come from operating cash flow. During the nine months ended September 30, 2007, 617,600 shares were purchased for an aggregate amount of \$21.9 million. In addition, 9,650 shares were acquired as partial payments of taxes for shares issued under stock-based compensation plans for an aggregate amount of \$403,000. During the current period, stock options for 67,154 shares were exercised by a member of the board of directors and generated \$1.9 million of additional equity. At its regularly scheduled meeting of its Board of Directors on October 24, 2007, the Board established a new authorization for the repurchase of shares in the amount of 1,500,000 and ended the 2005 authorization.

In March 2007, the Company amended its line of credit to extend the final maturity by two years, to February 2012. The line of credit agreement and the senior unsecured notes require that the Company maintain certain financial ratios. The Company is in compliance with all covenants and other requirements set forth in its debt agreements. A significant decline in demand for the Company's products and services may cause the Company to reduce its planned level of capital expenditures and lower its working capital needs in order to maintain compliance with the financial ratios in those agreements. A violation of the credit agreement or the senior unsecured note agreements could result in an acceleration of the Company's debt and increase the Company's borrowing costs and could adversely affect the Company's ability to renew its existing credit facility or obtain new credit on favorable terms in the future. The Company does not anticipate a significant decline in demand for its services and has historically been successful in maintaining compliance with and renewing its debt agreements.

Management believes that the borrowings available (\$104.2 million at September 30, 2007) under the credit facilities, cash generated from operations and current working capital of \$282.2 million should be sufficient to meet the Company's anticipated capital requirements for the foreseeable future.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Market risks relating to the Company's operations result primarily from changes in interest rates, foreign exchange rates, and gold prices. The Company does not engage in speculative or leveraged transactions, nor does it hold or issue financial instruments for trading purposes. There have been no material changes to the Company's exposure to market risks since December 31, 2006.

**Item 4. Controls and Procedures**

Under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, management of the Company has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of September 30, 2007 (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 are effective (i) to ensure that information required to be disclosed in reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms; and (ii) to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

There was no change in the Company's internal control over financial reporting during the quarter ended September 30, 2007, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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The Company's management, including its Chief Executive Officer and Chief Financial Officer, does not expect that 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 financial controls and procedures are effective at that reasonable assurance level.

**PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

See Note 8 of Notes to Consolidated Financial Statements.

**Item 1A. Risk Factors**

There have been no material changes from the risk factors disclosed in Part 1, Item 1A, of the Company's 2006 Form 10-K.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

(c) The following table provides the information with respect to purchases made by the Company of shares of its common stock during each of the months in the first nine months of 2007:

| Period                      | Total<br>Number<br>of Shares<br>Purchased | Average<br>Price<br>Paid<br>Per<br>Share | Total Number<br>of<br>Shares<br>Purchased as<br>Part of Publicly<br>Announced<br>Plan | Maximum<br>Number<br>of Shares that<br>May<br>Yet Be<br>Purchased<br>Under the Plan<br>(1) |
|-----------------------------|---|--|---|--|
| January 1 to January 31     | 3,025 <sup>(2)</sup>                      | \$ 40.86                                 |   | 1,064,700  |
| February 1 to February 28   | 32,745 <sup>(3)</sup>                     | 42.81                                    | 25,000  | 1,039,700  |
| March 1 to March 31         | 30,336 <sup>(4)</sup>                     | 39.70                                    | 30,000  | 1,009,700  |
| April 1 to April 30         | 325 <sup>(4)</sup>                        | 42.43                                    |   | 1,009,700  |
| May 1 to May 31             | 35,418 <sup>(4)</sup>                     | 41.68                                    | 35,000  | 974,700  |
| June 1 to June 30           | 62,185 <sup>(4)</sup>                     | 40.47                                    | 61,900  | 912,800  |
| July 1 to July 31           | 20,168 <sup>(5)</sup>                     | 37.26                                    | 20,000  | 892,800  |
| August 1 to August 31       | 396,183 <sup>(5)</sup>                    | 33.07                                    | 395,700   | 497,100  |
| September 1 to September 30 | 50,617 <sup>(5)</sup>                     | 34.44                                    | 50,000  | 447,100  |
| Total                       | 631,002                                   | \$ 35.39                                 | 617,600   |  |

(1) On April 20, 2005, the Board of Directors authorized the Company's repurchase of up to a total of 1,500,000 shares of its common stock. On October 24, 2007, the Board established a

new  
authorization for  
the repurchase  
of up to a total  
of 1,500,000  
shares of its  
common stock  
and ended the  
2005  
authorization.

- (2) Includes 173  
shares  
purchased on  
behalf of  
participants  
relating to the  
Company's  
Non-Qualified  
Savings Plan  
and 2,852 shares  
received as  
partial tax  
payments for  
shares issued  
under  
stock-based  
compensation  
plans.
- (3) Includes 947  
shares  
purchased on  
behalf of  
participants  
relating to the  
Company's  
Non-Qualified  
Savings Plan  
and 6,798 shares  
received as  
partial tax  
payments for  
shares issued  
under  
stock-based  
compensation  
plans.
- (4) Include shares  
purchased on

behalf of  
participants  
relating to the  
Company s  
Non-Qualified  
Savings Plan of  
325, 418, and  
285 shares for  
the months of  
March, April,  
May and June,  
respectively.

- (5) Include shares  
purchased on  
behalf of  
participants  
relating to the  
Company s  
Non-Qualified  
Savings Plan of  
168, 483, and  
617 shares for  
the months of  
July, August  
and September,  
respectively.

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**Item 6. Exhibits**

31.1 Certification of Chief Executive Officer

31.2 Certification of Chief Financial Officer

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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**SIGNATURE**

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

**CASH AMERICA INTERNATIONAL**

**INC.**

(Registrant)

By: /s/ Thomas A. Bessant, Jr.  
Thomas A. Bessant, Jr.  
Executive Vice President and  
Chief Financial Officer  
Date: October 26, 2007

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