FIRSTCASH, INC
Form 10-K
February 20, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

OR

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

For the transition period from __________ to ___________

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

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For the Year Ended December 31, 2017

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FORWARD-LOOKING INFORMATION

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

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

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PART I

Item 1. Business

General

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

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

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

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

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

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

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

Pawn Industry

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

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United States

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

Mexico and Other Latin American Markets

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

Business Strategy

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

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

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

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

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

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New Store Openings

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

Acquisitions

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

Enhance Productivity of Existing and Newly Opened Stores

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

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

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

Services Offered by the Company

Pawn Merchandise Sales

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

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

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

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

Pawn Lending Activities

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

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

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

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

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

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

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Credit Services and Consumer Loan Activities

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

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

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

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

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

Financial Information about Geographic Areas

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

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Locations and Operations

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

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

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

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

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

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

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

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

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

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

Pawn Store Operations

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

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

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

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

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

Credit Services and Consumer Loan Operations

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

Competition

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

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

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

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

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Intellectual Property

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

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

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

Franchises

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

Governmental Regulation

General

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

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

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

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

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

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

U.S. Federal Regulations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company is subject to the Foreign Corrupt Practices Act (“FCPA”) and other laws that prohibit improper payments or offers of improper payments to foreign governments and their officials and political parties by U.S. persons and issuers (as defined by the statute) for the purpose of obtaining or retaining business. It is the Company’s policy to maintain safeguards to discourage these practices by its employees and follow Company standards of conduct for its business throughout the U.S. and Latin America,

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including the prohibition of any direct or indirect payment or transfer of Company funds or assets to suppliers, vendors, or government officials in the form of bribes, kickbacks or other illegal payoffs.

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

U.S. State and Local Regulations

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

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

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

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

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

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

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

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

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

Mexico Federal Regulations

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

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

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

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

Mexico State and Local Regulations

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

Other Latin American Federal and Local Regulations

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

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

Employees

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

Insurance

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

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FirstCash Website

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

Item 1A. Risk Factors

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

Risks Related to the Company’s Business and Industry

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

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

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

The Company’s products and services are subject to extensive regulation and supervision under various federal, state and local laws, ordinances and regulations in both the U.S. and Latin America. The Company faces the risk that restrictions or limitations on loan products, loan amounts, loan yields, loan fees and customer acceptance of loan products resulting from the enactment, change, or interpretation of laws and regulations in the U.S. or Latin America could have a negative effect on the Company’s business activities. Both consumer loans, including vehicle title loans, and, to a lesser extent, pawn transactions and buy/sell agreements, have come under increased scrutiny and increasingly restrictive regulation in recent years. Other enacted or recently proposed regulatory activity may limit the number of loans that customers may receive or have outstanding and require the Company to offer an extended payment plan to its customers, and regulations adopted by some states require that all borrowers of certain loan products be listed on a database, limit the yield on pawn or consumer loans and limit the number of such loans borrowers may have outstanding. Certain consumer advocacy groups and federal and state legislators have also asserted that laws and regulations should be tightened so as to severely limit, if not eliminate, the availability of pawn transactions, buy/sell agreements, consumer loans and credit services products to consumers. It is difficult to assess the likelihood of the enactment of any unfavorable

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federal or state legislation or local ordinances, and there can be no assurance that additional legislative or regulatory initiatives will not be enacted that would severely restrict, prohibit, or eliminate the Company’s ability to offer certain products and services.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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enforcement proceeding. Lastly, the NACHA Rules now formally define the types of entries that may be reinitiated, and those that are prohibited from reinitiation, among other notable changes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company is subject to goodwill impairment risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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on a self-insurance basis. Losses not covered by insurance could be substantial and may increase the Company's expenses, which could harm the Company's results of operations and financial condition.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

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

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

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

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

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

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

General Market Information

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

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

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

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

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

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

Issuer Purchases of Equity Securities

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

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

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

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

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

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

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

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Performance Graph

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

Item 6. Selected Financial Data

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

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

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

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

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

General

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

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

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