National Payday Lenders: Business Trends

The following is not intended to be a complete and comprehensive overview of the current state of the payday industry. Instead, it looks at a few of the most prominent trends apparent in the industry's operations.

<u>Storefront Lending is Falling Down, Falling Down</u>
As the leading analyst of (and investment banker for) the payday industry, Stephens, Inc. is always looking for optimistic signs signaling an uptick in the fortunes of the storefront industry.

In fact, there have been a few positives for the industry of late. In particular, Advance America reported that its quarterly revenues increased by 3% over comparable revenues for Q3 2011. Additionally, some of its stores in "stable" states (i.e., ones where there have been no recent changes in law or regulation) have seen even higher increases.

However, this positive indication doesn't give us enough data to conclude that there is any major improvement in the long-term fortunes of the industry. Advance does not give enough data to explain whether or not they are getting these increased sales from new customers or from customers pulled away from competitors, some of whom might have closed.

The longer-range trends are these:

1. While the figures are sometimes inaccurate and must be taken with a grain of salt, Stephens' annual survey of the payday industry shows a steady decline in the dollar volume for all storefront lenders nationally. The trend has been consistent and unvarying over the past few years. Much of that drop does come in states that have tightened standards for payday-like loans – but a trend is a trend.

2. The same annual reports show a steady decline in the number of stores nationally. This decline is generally happening even in states with no regulatory or legal change. The estimated number of stores nationally has decreased by more than 17% since 2007, which was pretty much the high market for the industry.

3. Though the largest players in the industry – Advance America and Cash America – are hanging in, many of their publicly traded competitors have pulled back from the storefront sector, or abandoned it entirely. Rent-A-Center set the trend by selling its customer lists and closing its lending desks at the end of 2010, and CompuCredit has now followed by selling its entire storefront chain to Advance. Other major firms like Dollar / DFC Global and First Cash have indicated they currently have no intentions to expand domestic payday operations, and there is no major national upsurge in interest in the business.

Of course, none of these trends is irreversible – and money would flow to follow sound opportunities. The proposed Checksmart IPO (see below) has indicated that there is still investor interest in the industry – but only if a firm can demonstrate it has a business model that can reap substantial long-term growth. Currently, none of the players in the industry can meet that requirement in their storefront operations.

Payday Industry Trends: U.S. Storefront Information
Updated 11/9/11

Publicly Traded Companies	2007	2008	2009	2010	9/30/11	YOY % Ch	FYE	Review Date
Advance America	2,813	2,767	2,553	2,313	2,248	-2.8%	12/31	9/30/11
Cash America	735	680	680	655	657	0.3%	12/31	9/30/11
EZ CORP	508	548	474	477	471	-1.3%	9/30	6/30/11
QC Holdings	596	585	556	523	483	-7.6%	12/31	9/30/11
Dollar	350	467	350	325	300	-7.7%	6/30	11/9/11
Rent-A-Center	276	351	354	-	-		12/31	12/31/10
CompuCredit	469	350	316	305	300	-1.6%	9/30	9/30/11
First Cash	196	259	224	224	192	-14.3%	12/31	9/30/11
Totals	**5,943**	**6,007**	**5,507**	**4,822**	**4,651**	**-3.5%**		

Private Company Estimates	2007	2008	2009	2010	9/30/11	YOY % Ch	FYE	Review Date
Ace Cash Express	1,500	1,700	1,700	1,352	1,352	0.0%	?	8/3/10
Check Into Cash	1,228	1,200	1,100	1,100	1,100	0.0%	?	12/31/10
CNG Financial	1,356	1,350	1,084	1,038	1,025	-1.3%	?	11/9/11
Checksmart	256	215	252	280	375	33.9%	?	11/9/11
Allied Cash Advance	260	250	210	180	180	0.0%	?	11/9/11
Approved Cash Advance	178	210	208	210	210	0.0%	?	12/31/10
Express Check Advance	140	140	140	140	140	0.0%	?	12/31/10
Moneytree	142	142	140	160	160	0.0%	?	12/31/10
PLS Loan Store	-	-	-	144	144		?	8/3/10
Totals	**5,060**	**5,207**	**4,834**	**4,604**	**4,686**	**1.8%**		

Total Top 16 Estimates	**11,003**	**11,214**	**10,341**	**9,426**	**9,337**	**-8.8%**
Stephens: National Estimates	**23,586**	**22,275**	**20,611**	**19,568**	**19,568**	**-5.1%**
% Top 11 Stores	**46.7%**	**50.3%**	**50.2%**	**48.2%**	**47.7%**	

Sources:

1. Estimates from Stephens Inc. on national payday stores, from "Payday Loan Industry," June 6, 2011. Each year is based on prior year's estimate; i.e., 2009 is based on Stephens estimate for end 2008.
2. Information on publicly traded companies taken from recent SEC filings and/or from website information.
3. Private company estimates taken from either Stephens data or website listings.
4. 2010 National Estimate is gross estimate with reduction in count based on estimate of closings to date.

Everything's Bigger in Texas

Nowhere have Stephens' estimates been more pin-the-tail-on-the-donkey than in Texas; they kept the estimated store count in the state flat at 1,800 for years – even though store counts among publicly traded firms indicated there was far more volatility in the state than these numbers indicated.

However, the most recent annual estimates indicate that Texas is the kingpin among storefront operations:

Payday Store Trends: Top 10 States

State	2005	2006	2007	2008	2009	2010	% Ch	2005-10 % Ch
Texas	1,500	1,650	1,750	1,800	1,800	2,250	25.0%	50.0%
California	2,445	2,493	2,403	2,321	2,187	2,151	-1.6%	-12.0%
Tennessee	1,325	1,424	1,491	1,562	1,294	1,218	-5.9%	-8.1%
Florida	1,217	1,441	1,469	1,370	1,338	1,267	-5.3%	4.1%
Alabama	1,165	1,197	1,165	1,184	1,155	1,076	-6.8%	-7.6%
Missouri	1,230	1,261	1,272	1,148	1,127	1,005	-10.8%	-18.3%
Mississippi	1,095	1,058	1,051	1,043	986	1,023	3.8%	-6.6%
Louisiana	1,009	978	991	966	900	943	4.8%	-6.5%
Ohio	1,371	1,492	1,317	1,006	800	786	-1.8%	-42.7%
Kentucky	701	787	805	781	736	650	-11.7%	-7.3%
Illinois	734	750	760	772	725	650	-10.3%	-11.4%
Totals	12,292	12,881	12,724	12,153	11,248	10,769	-4.3%	-12.4%
National Totals	22,854	24,189	23,586	22,275	20,611	19,568	-5.1%	-14.4%

Source: Stephens, Inc., "Payday Loan Industry," annual report, 2005-2011.

NOTE: KY and IL are both included, because they are in a tie on Stephens' estimates.

Texas' domination – and critical role in the fortunes of the industry – extend well beyond just having the most stores. While second-ranking California still has a $300 loan limit, loans in Texas average far larger – and generally carry much higher rates per $100.

As an example of the difference in volume plays, here are some notes on Cash America's storefront loans through 9/30/11:

1. Their average loan size in non-TX storefront operations was $467.

2. Their average loan size within TX was $617.

3. Their average rate of fees per $100 was $13.78. This fee rate lumps in all retail loans – including some lower-priced installment loans.

4. If it earned the same fee across the board, the company would have received $64.36 per loan in revenue for its standard loan – but $85.05 per loan for TX-based loans.

5. Because fees are in fact far higher in TX than in some other states (published storefront rates are $20/$100), it is logical to conclude that the yield per loan in TX is even higher – because these loans have both larger sizes and higher rates.

Similar analysis indicates that other major competitors like Advance America and EZCORP enjoy the same premium yield on loans in TX compared to the rest of their operations.

Given this solid positive operating advantage, it's not surprising to see that Cash America has kept a major commitment to its TX-based operations, even while limiting or scaling back operations in other states. Its pawn-based in-state competitors First Cash and EZCORP have apparently drawn similar conclusions.

Though other states like Mississippi and Louisiana have also shown steady growth and combine high loan offerings with high fees, no other state offers the enticing combination of high fees, high loan size and large population available in Texas. For now, it remains the crown jewel of the industry – and likely the source of much of the profit base that keeps the major chains interested in maintaining storefront operations.

Some Storefront Companies are rebounding from earlier doldrums

Despite the overall decline in revenues, things have started looking up for the storefront-oriented firms financially. For instance, after several years of lethargy, Advance America has finally seen its stock price rebound; it is up almost $3 per share in the last year, and the company's market value has resurged.

In the past year, Advance has grown more rapidly than its pawn-based cousins like Cash America. Dollar Financial / DFC has also shown some steady growth – in large part because of its international expansion.

Summary: Stock Prices for Payday Lenders

Company	2011 $ Market Value (in millions)	2011 Per Share Price	2010 $ Market Value (in millions)	2010 Per Share Price	% Change Value	Est. # Payday Stores	Ticker Symbol
Cash America	$1,580.00	$53.81	$1,130.00	$38.09	39.8%	657	CSH
EZCORP	$1,480.00	$29.69	$1,250.00	$25.31	18.4%	477	EZPW
First Cash Financial	$1,240.00	$41.20	$913.00	$30.14	35.8%	192	FCFS
Dollar Financial	$857.43	$19.54	$615.90	$25.27	39.2%	300	DLLR
Advance America	$532.09	$8.52	$355.60	$5.72	49.6%	2,548	AEA
CompuCredit	$71.88	$3.20	$285.60	$5.96	-74.8%	-	CCRT
QC Holdings	$65.52	$3.85	$69.00	$4.00	-5.0%	483	QCCO

2011 Share Price & Market Data based on 11/11/11; 2010 based on 11/10/10.

While Advance America can justly celebrate its recent resurgence, one must take its current situation with a few grains of salt. The stock still has only about a third the value of $23.72 it enjoyed soon after it went public in 2004, and it has only recently rebounded from the disastrous $1 per share it hit in Feb. 2009 (when it faced the threat of being delisted and converted to a penny stock).

Note that the only other predominantly payday operator, QC Holdings, remains in the doldrums. CompuCredit (which is now getting out of the storefront field, but keeping a toe in the Internet business) continues to languish well below its earlier peaks.

In general, the more diversified firms like Cash America and Dollar / DFC are experiencing the most solid long-term stock growth. Advance has had a solid resurgence – but it's not clear if the current spike will continue over the long term, since the company still has few revenue growth prospects.

Payday Tries to Cash in on the IPO World

Checksmart / Community Choice Prepare to Go Public:
Ohio-based Checksmart, which now has roughly 430 retail stores, announced plans in August 2011 to launch an Initial Public Offering (IPO) to raise the modest of $230 million in equity.

As a rough comparison: Advance America is currently valued at about $140,000 per store. This proposal would seemingly value Checksmart at more than $500,000 per store – possibly a little bit high given the historical track record of the industry.

As noted earlier in regard to Internet lending, this deal shows that the payday sector still remains attractive to high-flying capital. Checksmart's parent company, Community Choice Financial, includes five board members from the private equity fund Diamond Castle, which actively manages the firm. Private equity firm Golden Gate Capital recently sold California Check Cashing to Checksmart, retains a significant ownership interest, and has board representation in the firm.

The IPO is still in the pre-offering stage, but it has generated a steady level of buzz since its announcement.

Cash America Plans Spin-off of Enova (CashNetUSA):
In somewhat of a surprise move, given its significant level of investment in the enterprise, Cash America has announced that it plans to divest a majority of its ownership in Enova Financial..

Enova domestically operates the CashNetUSA Internet lending platform, and also does online lending in the UK, Australia and Canada.

Cash America would initially retain between 35% to 49% of the stock ownership in Enova – but it would have to relinquish day-to-day control – which would potentially ultimately undercut its ability to integrate Enova offerings with its other products.

Because of a required SEC "quiet period," Cash America has not commented on its rationale for making the offering. The ostensible reason would be that the company thinks that the market value of the online lender is so high that the company can realize more financial gain through making a sale than keeping it as an operating subsidiary.

However, it is also possible that the company is rethinking its long-term interest in the payday sector – and might instead devote its resources to its steadily growing pawn sector and international operations.

Regardless, these two deals jointly represent the first major interest in payday-related IPO initiatives since Advance America went public in 2004 (and Ace Cash Express did the opposite by going private at roughly the same time).

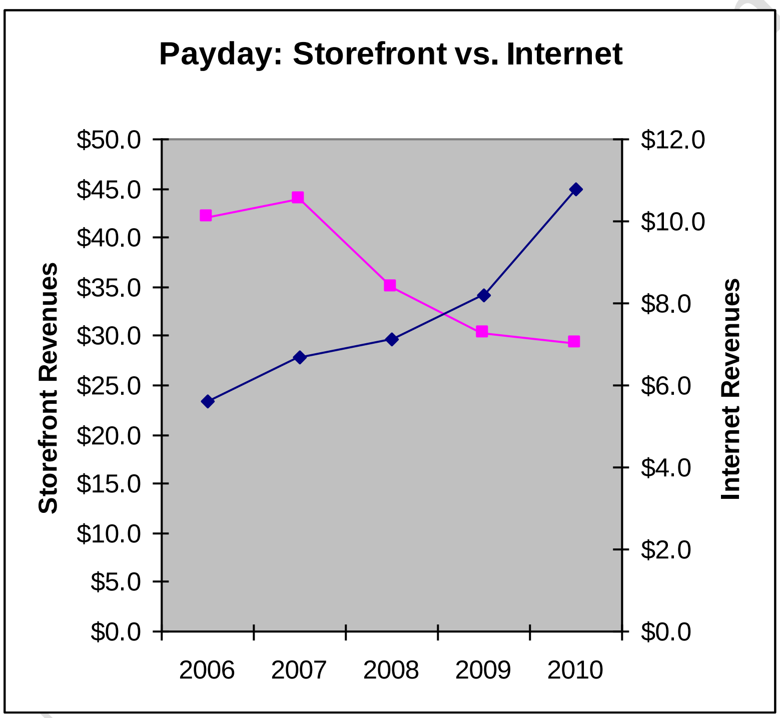
The 10,000-Foot View: Internet lending is Trending Up, Trending Up

In contrast to the sagging state of storefront lending, Stephens' annual reports have led to one consistent and across-the-board conclusion: Internet-based lending appears to be growing steadily.

The storefront numbers are likely somewhat predictable, and easier to project: Stephens can take store averages from major payday lenders, and project those over the industry as a whole. The actual level of revenues is likely a rough estimate – but if the methodology used to calculate it is consistent, the numbers should show consistent trends, because the companies' reporting data are somewhat consistent.

One cannot draw the same conclusion about their Internet estimates. Cash America is the only publicly traded firm that offers extensive information about its online operations. The other major Internet firms are privately held, and thus not subject to even minimal SEC reporting requirements. We won't really know much about the industry until 2-3 more publicly traded firms report data over several years' worth of time.

Still, Stephens indicates that it has followed a consistent methodology in analyzing the industry, and so its reports should show some reliable trending. With these caveats in mind, regard this chart:



While the storefront sector shows steady declines (see more detail later), the Internet appears to be increasing dramatically. (**Warning**: This chart shows relative growth patterns. Please note that storefront is still at about $29 million vs. $11 million for Internet – so storefront is still far and away the dominant end of the industry.)

Despite this growth, the major firms have not been able to take much advantage of the sector. Among the publicly traded firms, only Cash America has managed to achieve a significant market share. However, EZCORP is in the process of setting up a new online services division, and entities like CompuCredit are still experimenting with the business.

U.S. Internet Operations for Major Payday Lenders

Company	Online Activities
Advance America	Offers through partnership with Cash America
Cash America	Offers CashNet USA loans in 30 states
EZ MONEY	set up new "digital commerce" division 11/2/11
QC Holdings	None listed on website
Dollar Financial	Loan Mart USA serves AZ & CA
CompuCredit	Still testing U.S. Internet presence
First Cash Financial	CSO-based operation in TX; left MD
Ace Cash Express	Has direct Internet lending
Check n Go	Has direct Internet lending
Check Into Cash	Has direct Internet lending

It's not clear how much the big private firms have done – but their presence still appears to be somewhat meager (though Check Into Cash has shown some signs of investing significantly in its online presence).

To a large extent, this sector seems to be the province of younger, high-tech experts who have been harder for the payday lenders to snag. Cash America successfully identified – and bought – a Chicago-based firm in the Internet industry's infancy, and so has enjoyed a major competitive advantage over its competitors. None of these other firms has apparently been so lucky.

As a result, the Internet sphere is apparently highly fragmented. It's easy to set up websites that pull prospective customers in (many run by lead generators, who simply sell the names to other lenders), and there's less demonstrable branding presence than a large storefront like Advance America enjoys. Lenders also avoid the high overhead associated with "bricks and mortar" operations, and have much lower payroll costs.

Most of them can afford to lose a large percentage of their revenues in bad debt – because the cost of operations is so low. That translates to a staggering figure Cash America has divulged in some of its filings: More than 40% of new borrowers in recently entered markets have defaulted on their first online loan with the company.

While state attorneys general are developing new plans to curb many of these lenders and their excess fees, for now the Internet industry still seems to be on a major growth curve.

The Internet is Also the Sexy Beast Financially

Because most of these Internet lenders remain private, it's hard to have a clear sense of who's providing the debt and equity they need. However, there are increasing indications that the venture capital world is taking more interest in Internet payday.

One good example is Zestcash. Google's former chief information officer has founded this online-only lender, and is trying to market it as a desirable alternative to traditional storefront payday. (See: http://www.thestreet.com/story/11306390/1/former-google-exec-sees-payday-in-zestcash.html.)

Consumer advocates, however, might beg to differ: The loans cost out at 412% APR, with $550 in interest and fees on a three-month $800 loan.

Outside of this operation, most reports are sketchy, as there is often no public disclosure on private investor financing, which is through private rather than public markets. But a few recent headlines indicate that there is growing investor interest in the sector:

1. UK firm Wonga raised $117 million in Feb. 2011 for expanding its UK operations. The lead investment outfit was Oak Investment Partners, a CT-based firm with additional offices in Minneapolis and Palo Alto, CA; Oak also has a major position in card provider Netspend.

2. In March 2011, the SEC froze the assets of online lender Utah's John Scott Clark. He had raised a reported $47 million to finance his firm Impact Cash in what SEC officials labeled a Ponzi scheme. Clark had raised this money from private investors to whom he had promised staggering returns.

3. While one stage removed from Internet payday, recent start-up Billfloat raised $4.5 million in 2010 to start up its bill funding process. This is but one example of increased private equity interest in the field of "alternative financial services."

If the climate heats up for IPO activity (see earlier section), it is highly likely that there will be more outfits sponsored by private equity firms with a long-range goal of going public. But it certainly seems that the high-flying investment world has taken increasing interest in this sector.

Auto Title Lending Careens Into High Gear:

While still seemingly a small market compared to storefront and Internet payday lending, auto title lending appears to be expanding significantly.

The most significant example of the status of the industry is TMX Finance, which operates as TitleMax. Having emerged from bankruptcy back in 2010 after a significant fight with its then lender, Merrill Lynch, TMX has picked up a new banking relationship with Wells Fargo, and used what are essentially junk-bond notes to finance rapid expansion.

From a base of 550 stores when it exited bankruptcy in August 2010, TMX now has 728 stores in 12 states. Its sales for the first three quarters of 2010 were almost 30% higher than its figures for the same period in 2010 – which were in turn higher than in 2009.

To place their operations in some context, it's useful to compare them to Advance America. TMX revenues for the first nine months were $358.8 million, compared to $443.6 million for Advance America. If TMX can continue its current steady growth, it should outstrip Advance America in revenues within the next two years.

The growth is starting to put strain on the company's lucrative bottom line: Operating expenses are growing at a higher percentage than revenues, and loan-loss provisions have increased from 14% of sales to 16%. Still, since their net operating income averages about 16% of revenues (compared to about 9% for Advance America), they can handle this strain.

The two other longstanding powerhouses in the industry – Rod Aycox's operations (mostly operating under LoanMax) and Community Loans of America – do not report any public data. However, both seem to retain a solid number of stores, and are showing some signs of ongoing expansion.

Key players in the payday industry are apparently taking notice of this market:

1. EZCORP has been especially bullish on auto title. They have grown auto title lending about 23% this year, and have emphasized in SEC filings that they consider it a very solid sector for future growth.

2. Cash America is also increasing its commitment to auto title – though its lending base has not become large enough to warrant much specific SEC disclosure.

3. QC Holdings continues to try to grow the market. It emphasized it heavily as an alternative product in Arizona after the payday business decreased, but it is marketing it in other states as well.

Because auto title does not quite get the national attention payday does, and doesn't have any publicly traded major players (TMX reports to the SEC because of its debt financing, but is not currently a public stock), there is very little overall analysis of the industry.

However, given the rapid expansion TMX is carrying out, and the increasing interest of traditional payday players, the evidence suggests that this product could be increasingly prominent within overall alternative financial products companies.

National Payday Lenders: Operating Profiles

Publicly Traded Firms

The following firms are all publicly traded in national stock markets, and thus must disclose information about operations via regular reports to the SEC. Most of the data appearing here comes from SEC reports and company websites.

Advance America:

Overview of 2011 to date: More than any other company operating in the payday field, Advance America continues to hitch its financial wagon to storefront payday. Though it has been regularly trimming locations in its remaining states, Advance just made a major move to reinvigorate its operations: It has just closed on the purchase of CompuCredit's remaining 300 storefront locations.

Though it will gradually close some of its remaining overall stores (it will choose between existing stores and nearby CompuCredit locations), the company now jumps back to the store count it had several years back.

To date, it has had no success at developing alternative products – other than installment loan variations off its standard payday products. So its future will primarily hinge on whether it can stave off further regulatory /legal nicks to its operations, and keep a healthy deal flow in its key remaining states: CA, FL, MI and TX.

1. Headquarters: Spartanburg, SC
2. Background: Founded in 1997, Advance America became a public entity in 2004 via Initial Public Offering. It is by far the largest franchise in American payday and has been the industry leader for years.
3. Services: Historically and currently, the company only operates payday stores, but it has branched out into Moneygram, debit cards, etc., as well as Internet lending.
4. Revenue mix: Almost 100% payday (company shows minimal revenue from cards, money transfers, etc.)
5. Payday Status: largest payday lender in the U.S.
6. Storefront Trends: total fell from 2,767 as of December 31, 2008 to 2,248 as of 9/30/11 (though CompuCredit deal with push total back above 2,500 for at least a short period of time).
7. Storefront Operating Names: Advance America Cash Advance Centers and National Cash Advance
8. Internet: The company currently offers online loans only through its partnership with Cash America. Through this mechanism applicants are steered toward Cash Net USA web platform, or customers are prompted to visit their nearest Advance store.
9. International Payday: Has 18 storefront operations in Canada (National Cash Advance) and 32 in the U.K. it has grown is footprint in the UK pretty swiftly in the past few years.

Cash America:

Overview of 2011 to date: Cash America's plan to spin off Enova, its online lending unit, is the most intriguing development of the year. Enova has been a major focus of corporate development for the past few years. While the company will still have a major stake in operations, it should lose its direct managerial control of the business if it follows through on the IPO. Unfortunately, citing SEC restrictions, company management has refused to comment on exactly how this move fits into their long-term approach to payday and short-term lending – so we won't know much about their long-term goals unless they complete the process of the IPO and then have to disclose more detail about how the move fits into their overall strategic plan.

The company still seems less than fully engaged in its storefront payday operations, and is not expanding the base significantly. The company carefully targets states in which it thinks it will face a stable operating climate politically – and thus has been reluctant to expand aggressively in the current market.

These two items combined would suggest that it will concentrate heavily on pawn store development in the coming year, especially in Mexico – and it's not clear how much growth it will experience in its payday operations.

1. Headquarters: Forth Worth, TX
2. Background: Rooted primarily in pawn shops, the company offers payday loans through some of its pawn stores as well stand alone payday store fronts in the U.S. and Mexico. In the last few years, has developed large Internet presence through acquisition of CashNetUSA (now Enova). It is also marketing other products like its stored-value card MLOC (currently on hold), and is engaged now in auto title.
3. Revenue Mix: remains 60% pawn, 40% payday and related cash advance services; payday is now somewhat stable as a component of overall revenue
4. Payday Status: apparently second largest lender in U.S., though heavily focused on the Internet instead of retail operations
5. Storefront trends: 657 total stores; 86 are pure payday, and the others combine pawn/payday
6. Storefront Operating Names: Cashland, Payday Advance (Cash America)
7. Internet Focus: Company appears to be the leader among publicly traded Internet payday lenders. Revenues have grown to triple the size of its storefront operations. However, if it follows through on its announced plan to spin off renamed lending unit Enova (CashNetUSA), the company will no longer have direct control over the future of this business unit.
7. International Payday: Company has not quantified its international sales for 2010, but has cited its online operations in U.K. ("QuickQuid") as a solid growth market; Australia ("DollarsDirect") and Canada have had less significant growth; plans to continue expansion
8. Company's Payday Future: Given its plan to spin off Enova, the company's payday operation will shrink significantly at the point it relinquishes direct control. It to date has no commitment to expansion of storefront operations, so its future involvement in the payday sector is somewhat murky.

<u>DFC Global (formerly Dollar Financial)</u>:
Overview of 2011 to date: The company's new name – DFC Global – speaks volumes about their current orientation: They want to ease their way out of a complete affiliation with alternative financial services, and they want to brand themselves as an international operation, rather than just a U.S. company with some international activities.

The company's major move for the year was purchasing MEM, the U.K.-based online payday operation previously owned by CompuCredit. They have now become a major player in the European market. They also have a strong brand in Canada.

They continue to trim stores domestically, and emphasize international payday over domestic operations. There is no indication that they intend to exit the industry here; it's just an increasingly smaller share of their focus – and revenues.

1. Headquarters: Bergwyn, PA
2. Background: The company offers a mix of check-cashing, payday, pawn and related financial services. It has made a major acquisition in auto lending by buying Military Financial Services, a firm that caters to auto loans for military customers.
3. Revenue mix: "Consumer lending" represented 60% of total revenues for the first quarter (9/30/11; their fiscal year ends 6/30); check-cashing has declined from 21% to 14%; they have expanded pawn shop operations from 3.5% to 8% of revenues (mostly in Europe)
4. Payday Status: 3rd largest payday lender in terms of overall revenues, but roughly 80% of that business comes from international operations; has much smaller footprint in U.S.
5. Storefront Trends: Company continues to cut down on retail locations; numbers are a bit fuzzy, as company does not always differentiate clearly as to store purpose, but count seems to be down to 300 (from 350 in 2009)
6. Storefront Operating Names: Loan Mart, Money Mart, American Payday Loans, The Check Cashing Store; Money Mart (Canada); Money Shop (U.K. and Ireland)
7. Internet Operations: Shows a small operation for CA
8. International Payday: Company has had longstanding operations in Canada, and is expanding steadily in U.K. and Ireland; has now become a dominant player in the U.K. online market by purchasing CompuCredit's MEM operation for $195 million; is the apparent market market dominator in U.K. for both storefront and online – and plans aggressive expansion in Europe. In July 2011, it purchased Risicum, a Finland-based provider of Internet and mobile phone loans in Finland and Sweden.
9. Payday Future: Company has not announced plans to drop U.S. payday, but it is clearly not a corporate focus; it sees bigger markets in Canada and Europe; U.S. future might come back more to technology-based online financial services sales, rather than retail operations

<u>CompuCredit</u>:

Overview of 2011 to date: With its sale of its entire U.S. storefront operation to Advance America coming on top of its sale of its international unit, MEM, to DFC Global earlier in the year, CompuCredit seems to be intent to exit almost all of the payday loan space. It appears to be going back to its traditional business of securitizing subprime short-term credit debt, and staying out of retail markets.

It's not totally clear yet whether the company intends to keep any form of U.S. online lending. Its primary website, "Life Does Happen," now traces back to an Advance America subsidiary (http://www.fa-ca.com/) , and offers direction to in-store lending only. In their third quarter 10-Q, they say they are still experimenting with online payday, and might roll it out on a more widespread basis – but their total revenues were only $2.2 million in the first 9 months, so it's not a major part of operations.

1. Headquarters: Atlanta, GA
2. Background: Company entered payday industry by acquiring more than 300 payday locations from a subprime lender in 2004. It grew steadily through acquisition, but has since started selling off payday locations and has concentrated on other products like subprime credit card operations.
3. Revenue mix: Company doesn't clearly show what % of operations is represented by payday currently; retail micro has been about 14% of total fee income, and Internet 17% (remainder relates

to securitized credit-card portfolios and other financial instruments); with sales of storefront and international operations, revenue figures will change dramatically

4. Payday Status: was 4th largest company in U.S., but more than half of income came from international; was 6th largest among publicly traded firms in U.S. revenues
5. Storefront Trends: Completed sale of 300 retail stores to Advance America on Oct. 10, 2011
6. Storefront Operating Names: None remaining
7. International Payday: on April 1, 2011, company completed sale to DFC Global of its interest in MEM, a U.K.-based Internet payday lender; this move should end its international payday operations
8. Internet Operations: Company maintains it is still experimenting with U.S. online lending, but its presence is meager to date.
9. Payday Future: meager, other than its ongoing experimentation with online lending
10. Proposed Corporate Changes: Company is refocusing on securitization of subprime loan products.
11. Buy Here Pay Here operation: http://www.carfinancial.com/; website says that they are operating in 45 states currently.

EZCORP:

Overview of 2011 to date: EZCORP continues to grow its payday business steadily but unspectacularly. For its most recently ended fiscal year (9/30/11), it grew its total "signature loan" revenues (payday and installment loans) by about 8%. It also showed about 23% growth in auto-title lending, and has made a major commitment to that product. On 11/2/11, company announced it was setting up a new "e-Commerce and Card Services" division to promote prepaid debit cards and other online products. It also added industry veterans from Rent-A-Center and Advance America to shore up its storefront pawn and payday operations.

The company continues to emphasize pawn operations most heavily, but it seems committed to growing its combination of payday and auto title lending within states where it does not fear regulatory issues. Given the steady decline of operations at many of its competitors, it has become an increasingly large player within the publicly traded payday field.

(NOTE: Information on EZCORP is only complete through 6/30/11; the company won't be releasing its 9/30/11 data (its corporate fiscal year-end) until after this memo is completed.)

1. Headquarters: Austin, TX
2. Background: The company began with a solid base of pawn shops in U.S. and Mexico. It has now built complementary set of payday stores in U.S.
3. Revenue Mix: 80% of revenue is pawn-related; pure payday has dropped to only about 17% (from 22% in 2009), but auto title has jumped to 2.4% in two years; payday/auto are growing, but not as fast as pawn
4. Payday Status: 5th largest company in revenues
5. Storefront Trends: EZCORP has gradually increased payday storefront presence in last year, after steady growth in prior years. It operates in only a few states: Texas, Oklahoma, Colorado, Alabama, Florida and Utah, often locating payday stores adjacent to pawn locations, and offering payday loans out of some pawn stores. The company also offers auto title loans in both pawn & payday stores. The company has 474 domestic payday stores, and 82 of its pawn shops also offer payday loans. Hiring two new executives with extensive experience in the industry indicates that the company might consider an expansion of current operations.
6. Storefront Operating Names: EZMONEY and EZPAWN; Empeno Facil (Mexico); Cash-Max (Canada)

7. Internet Operations: Company showed its increasing interest in the sector when on 11/2/11 it announced it was setting up a new “e-Commerce and Card Services” division to promote prepaid debit cards and other online products.
8. International Payday: Company has now opened 50 retail stores in Canada under the name Cash-Max; it has said it sees Canada as a huge potential market. It also owns a 30% controlling stake in Albemarle & Bond Holdings, which operates 132 pawn and payday locations in the U.K., and 33% stake in an Australia-based pawn operation called Cash Converters; that company operates more than 500 stores internationally, offering pawn loans, short-term unsecured loans as well as other consumer finance products; it also buys and sells used merchandise.
9. Payday Future: Company expects ongoing sales growth, but more from product diversification than adding new stores. Auto title is clearly a growth product, while payday is less a corporate focus.

<u>QC Holdings</u>:

Overview of 2011 to date: Like Advance America, QC Holdings primarily is in the business of storefront payday. Unlike Advance, QC is trying to innovate with new products – but is struggling to do so.

The company has invested heavily in “buy here pay here” auto sales, gradually increasing its revenue to about 15% of its overall sales. It is also adding auto title and other products.

However, the company continues to struggle to gets its earnings back up. Despite a modest growth in overall revenues, profits are down for 2011, and its earnings per share of stock are also down.

The company has seen its bank consortium limit its line of credit, and has taken on subordinate debt from its CEO to help fund Canadian expansion.

QC has been hurt by loss of sales in states like AZ; it might be close to stabilization for the moment – but any lending restrictions in Missouri (36% of company gross profit) would severely hamper its operations.

<u>Background</u>:

1. Headquarters: Overland Park, KS
2. Background: Founded in 1984, QC Holdings entered short-term loan market in 1992, asserting itself to be the first actor to introduce the modern day payday loan. It now operates in more than 24 states. Although it went public in 2004, it is still a closely held company (Chairman & CEO Don Early owns 47% of stock, and total insider ownership is well above 50% of outstanding shares).
3. Revenue mix: about 85% of revenues come from payday and auto title; the remainder comes from “buy here pay here” auto sales and some check-cashing revenue
4. Payday Status: Company now ranks 6th in estimated payday revenue; it has been hard-hit by downturns in states like Arizona, and has not shown capacity to replace lost revenues in other markets
5. Storefront Trends: Company continues to decrease store count, reducing to 483 as of 9/30/11.
6. Internet Operations: None reported to date, other than online application materials
7. Storefront Operating Names: Quick Cash, California Budget Finance, National Quick Cash, First Choice Loans, First Payday Loans, Auto Start USA, Check Advance Loans, Nationwide Budget Finance, ECA of South Carolina, QC Finance
8. International Payday: On Sept. 30, 2011, the company bought Direct Credit – a British Columbia payday lender – and is seeking to gain an international foothold via Canadian expansion

9. Payday Future: Company is reducing stores steadily, and has revised earnings estimates significantly downwards because of erosion in key markets; Canadian expansion is more recent attempt to reverse current negative trends.

First Cash Financial Services:

Overview of 2011 to date: First Cash remains one of the less visible entities in the payday industry. The company has pretty much retreated to Texas, and seems to have no intent to expand operations outside the Longhorn State anytime soon. Payday operations have been profitable for them there, so they continue to operate their stores – but there are no expansion plans on the horizon.

1. Headquarters: Arlington, TX
2. Background: Begun in 1988 as a pawn shop; operates pawn shops in U.S. and Mexico; has added payday operations to pawn base
3. Revenue Mix: 88% pawn, 12% payday total; 80% pawn, 20% payday for U.S. operations
4. Payday Status: 7th largest in revenues among publicly traded firms – but saw 10% growth in last year, and has shown increased interest in the business
5. Storefront Trends: 153 payday locations, including many that are part of pawn stores, and 39 Cash & Go kiosk operations; company has sold its interest in IL stores, and will seemingly only operate payday in TX
6. Storefront Operating Names: First Cash Advance, First Cash Pawn and Cash & Go
7. Internet Operations: Company offers loans via CSO model in TX; company closed MD market seems in light of recent litigation
8. International Payday: Reports a small level of revenue in payday loans in Mexico stores
9. Company's payday future: Company does not show interest in dropping out of payday altogether, but it is not investing much in payday expansion at the moment

Rent-A-Center:

Overview of 2011 to date: We have now fully removed Rent-A-Center from our consideration; they sold their customer list to other lenders – including a large batch to Advance America – on 12/31/10, closed the loan desks they operated in their basic stores, and exited the industry completely.

Privately Held Payday Lenders:

Because they are not subject to SEC disclosure requirements, these privately held companies do not need to disclose data on key factors like revenues, trends, etc. The information shown here is gleaned from various sources describing the companies, but does not have the specificity of some of the detail on the publicly traded companies.

Ace Cash Express:

1. Headquarters: Irving, TX
2. Background: Company dates back to 1968, with roots in check cashing. It has expanded to a variety of financial services by creating a national footprint. It bills itself as the nation's largest check casher, and the second largest payday lender. Company was publicly owned for several years, but in Oct. 2006 private equity fund JLL Partners bought the company and took it private.
3. Revenue mix: Company offers payday loans, title loans, check cashing, money transfers, direct deposits, money orders and bill payments; when still public, revenue mix was 50% check cashing, and 35% payday
4. Payday Revenues: not available
5. Storefront Trends: website checks estimate that company has about 1,350 operating retail payday stores, out of roughly 1,800 total stores
6. Storefront Operating Names: Ace Cash Express
7. Internet Operations: Shows online applications
8. International Payday: Company does not appear to have entered international market to date
9. Payday Future: company has leadership role in FISCA, and appears to remain highly committed to payday industry

Check N Go:

1. Headquarters: Cincinnati, OH
2. Background: Company was founded in late 1990s by the Davis family, which had been very involved in Cincinnati-area banking community. Now run by the two sons of the founder, company has built aggressive national platform. Uses name "Axcess Financial" as corporate umbrella; also uses name CNG Financial
3. Revenue mix: payday & related services; company has debt management wing called Axcess Recovery
4. Payday Revenues: not available
5. Storefront Trends: Like Check Into Cash, company has trimmed retail locations in some states, and overall store count seems down; lists 1,025 locations on its website; number has declined gradually over past few years
6. Storefront Operating Names: Check N Go
7. Internet Operations: has online application on its corporate website; online rates are generally higher than in-store rates for comparable states
8. International Payday: In 2006, acquired Cheque Centre, a network of financial services stores that now has at least 140 locations in UK
9. Payday Future: Company continues to play a leading role in CFSA and is an ardent advocate on behalf of continued payday operations; while company has trimmed stores in some states whose regulations it opposes, company shows no sign of pulling back from payday

Check Into Cash:

1. Headquarters: Cleveland, TN
2. Background: Formed in 1993, company is considered the father of the national payday industry. Company has operations in 30 states.

3. Revenue mix: Provides other services like check cashing
4. Payday Revenues: not available
5. Storefront Trends: Appears to have trimmed overall store count in recent years; offers estimate of 1,100 locations on its website
6. Storefront Operating Names: Check Into Cash
7. Internet Operations: Company allows online applications through its “Loan By Phone” website.
8. International Payday: Company does not appear to have entered international market to date.
9. Payday Future: Company continues to play a leading role in CFSA and is an ardent advocate on behalf of continued payday operations; while company has trimmed stores in some states whose regulations it opposes, company shows no sign of pulling back from payday.