

WORLD ACCEPTANCE CORP
Form 10-Q
August 06, 2013

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

Form 10-Q

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

For the quarterly period ended June 30, 2013
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: 0-19599

WORLD ACCEPTANCE CORPORATION

(Exact name of registrant as specified in its charter.)

South Carolina

(State or other jurisdiction of incorporation or
organization)

57-0425114

(I.R.S. Employer Identification Number)

108 Frederick Street

Greenville, South Carolina 29607

(Address of principal executive offices)

(Zip Code)

(864) 298-9800

(registrant's telephone number, including area code)

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 shorter period than the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant 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 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large Accelerated Filer

Accelerated Filer
Smaller reporting company

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Non-accelerated filer (Do not check if a smaller reporting company)

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

The number of outstanding shares of the issuer's no par value common stock as of August 2, 2013 was 11,722,777.

WORLD ACCEPTANCE CORPORATION
AND SUBSIDIARIES

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Introductory Note: As used herein, the “Company,” “we,” “our,” “us,” or similar formulations include World Acceptance Corporation and each of its subsidiaries, except that unless otherwise expressly noted or the context otherwise requires, when used with reference to the common stock or other securities described herein and in describing the positions held by management or agreements of the Company, it includes only World Acceptance Corporation. All references in this report to “fiscal 2014” are to the Company’s fiscal year ended March 31, 2014.

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WORLD ACCEPTANCE CORPORATION
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2013	March 31, 2013
ASSETS		
Cash and cash equivalents	\$ 11,399,410	11,625,365
Gross loans receivable	1,125,261,356	1,067,051,763
Less:		
Unearned interest and fees	(306,768,884) (284,956,195
Allowance for loan losses	(61,630,967) (59,980,842
Loans receivable, net	756,861,505	722,114,726
Property and equipment, net	23,664,605	23,935,439
Deferred income taxes	30,340,460	29,415,996
Other assets, net	10,804,420	11,712,319
Goodwill	5,967,127	5,896,288
Intangible assets, net	4,495,692	4,624,832
Total assets	\$843,533,219	809,324,965
LIABILITIES & SHAREHOLDERS' EQUITY		
Liabilities:		
Senior notes payable	448,950,000	400,250,000
Income taxes payable	14,959,237	13,941,632
Accounts payable and accrued expenses	25,452,992	28,737,074
Total liabilities	489,362,229	442,928,706
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value Authorized 5,000,000, no shares issued or outstanding	—	—
Common stock, no par value Authorized 95,000,000 shares; issued and outstanding 11,775,627 and 12,171,075 shares at June 30, 2013 and March 31, 2013, respectively	—	—
Additional paid-in capital	95,207,427	89,789,789
Retained earnings	262,401,627	277,024,787
Accumulated other comprehensive loss, net	(3,438,064) (418,317
Total shareholders' equity	354,170,990	366,396,259
Total liabilities and shareholders' equity	\$843,533,219	809,324,965

See accompanying notes to consolidated financial statements.

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WORLD ACCEPTANCE CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30,	
	2013	2012
Revenue:		
Interest and fee income	\$127,977,921	115,299,196
Insurance commissions and other income	17,287,206	17,536,688
Total revenue	145,265,127	132,835,884
Expenses:		
Provision for loan losses	28,703,193	23,614,890
General and administrative expenses:		
Personnel	53,309,675	48,413,019
Occupancy and equipment	9,378,970	8,642,649
Advertising	2,723,255	2,644,635
Amortization of intangible assets	311,502	368,680
Other	9,513,684	9,090,128
Total general and administrative expenses	75,237,086	69,159,111
Interest expense	4,676,454	3,926,154
Total expenses	108,616,733	96,700,155
Income before income taxes	36,648,394	36,135,729
Income taxes	13,536,693	13,520,731
Net income	\$23,111,701	22,614,998
Net income per common share:		
Basic	\$1.93	1.66
Diluted	\$1.87	1.63
Weighted average common shares outstanding:		
Basic	12,002,061	13,614,838
Diluted	12,342,690	13,901,933

See accompanying notes to consolidated financial statements.

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WORLD ACCEPTANCE CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three months ended June 30,	
	2013	2012
Net income	\$23,111,701	22,614,998
Foreign currency translation adjustments	(3,019,747)	(2,248,231)
Comprehensive income, net	\$20,091,954	20,366,767

See accompanying notes to consolidated financial statements.

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WORLD ACCEPTANCE CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), net	Total Shareholders' Equity
Balances at March 31, 2012	\$65,630,753	355,980,694	(2,736,434)	418,875,013
Proceeds from exercise of stock options (332,665 shares), including tax benefits of \$3,049,108	12,993,709	—	—	12,993,709
Common stock repurchases (2,569,597 shares)	—	(183,045,655)	—	(183,045,655)
Restricted common stock expense under stock option plan, net of cancellations	3,842,674	—	—	3,842,674
Stock option expense	7,322,653	—	—	7,322,653
Other comprehensive income	—	—	2,318,117	2,318,117
Net income	—	104,089,748	—	104,089,748
Balances at March 31, 2013	\$89,789,789	277,024,787	(418,317)	366,396,259
Proceeds from exercise of stock options (22,675 shares), including tax benefits of \$177,737	1,204,408	—	—	1,204,408
Common stock repurchases (412,815 shares)	—	(37,734,861)	—	(37,734,861)
Restricted common stock expense under stock option plan, net of cancellations	1,717,317	—	—	1,717,317
Stock option expense	2,495,913	—	—	2,495,913
Other comprehensive loss	—	—	(3,019,747)	(3,019,747)
Net income	—	23,111,701	—	23,111,701
Balances at June 30, 2013	\$95,207,427	262,401,627	(3,438,064)	354,170,990

See accompanying notes to consolidated financial statements.

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WORLD ACCEPTANCE CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three months ended June 30,	
	2013	2012
Cash flow from operating activities:		
Net income	\$23,111,701	22,614,998
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible assets	311,502	368,680
Amortization of loan costs and discounts	123,125	431,437
Provision for loan losses	28,703,193	23,614,890
Depreciation	1,598,027	1,525,912
Deferred income tax benefit	(1,213,790)	(377,856)
Compensation related to stock option and restricted stock plans, net of taxes	4,213,230	1,850,728
Change in accounts:		
Other assets, net	737,003	(570,722)
Income taxes payable	1,054,731	1,264,141
Accounts payable and accrued expenses	(3,183,373)	(2,688,640)
Net cash provided by operating activities	55,455,349	48,033,568
Cash flows from investing activities:		
Increase in loans receivable, net	(65,241,490)	(58,606,219)
Net assets acquired from office acquisitions, primarily loans	(638,127)	(238,339)
Increase in intangible assets from acquisitions	(253,200)	(21,956)
Purchases of property and equipment	(1,501,762)	(2,031,308)
Net cash used in investing activities	(67,634,579)	(60,897,822)
Cash flow from financing activities:		
Borrowings from senior note payable	104,350,000	168,000,466
Payments on senior note payable	(55,650,000)	(43,650,466)
Payments on junior subordinated note payable	—	(50,000,000)
Proceeds from exercise of stock options	1,026,671	1,844,843
Repurchase of common stock	(37,734,861)	(61,731,794)
Excess tax benefits from exercise of stock options	177,737	654,492
Net cash provided by financing activities	12,169,547	15,117,541
Increase in cash and cash equivalents	(9,683)	2,253,287
Effects of foreign currency fluctuations on cash	(216,272))