

EZCORP (EZPW)

| | | | | | |
|---------------------|-----------------|--------------------------------------|------------------|-----------------------------------|--------------------|
| Price: | \$17.07 | Net Tang. Bk Value Incl. Cash, Excl. | \$409,400,000.00 | Net Tang. Book Yr. 5 (Inc. Cash): | \$898,270,200.00 |
| Market Cap: | \$925,194,000 | Goodwill (NTBVIC): | | Avg. Year Op. Cash: | \$123,044,040.00 |
| Cash: | \$45,950,000 | NTBVIC/Market Downside Recovery: | 44.25% | Year 5 Disposition FCF Multiple: | 3.0 |
| Debt: | \$287,580,000 | Op. Cash Flow: | \$123,044,040 | Year 5 Disposition Price: | \$1,267,402,320.00 |
| Net Cash: | -\$241,630,000 | Implied Years to Fill Gap: | 4.19 | | |
| Enterprise Value: | \$1,166,824,000 | Today's Equity if 5x Op. CF: | \$778,532,120 | | |
| | | Net Tang. Book+ Gain Disposition: | | | \$1,267,402,320.00 |
| Shares Outstanding: | 54,200,000 | IRR: | | | 6.50% |
| | | | | Price: | \$23.38 |
| | | | | Target Market Cap: | \$1,267,402,320 |
| | | | | Target Enterprise Value: | \$1,509,032,320 |

* Our future intrinsic value measures the total return, which includes both capital appreciation and dividend income.

Overview 920MM market cap. Annual dividend yield at 0.00%. P/B at 0.98, but don't let this figure deceive you. The Co. has grown through acquisitions, buying up pawn stores to the tune of \$426MM in goodwill, relative to a book value of \$939MM, so P/Tangible book value is 1.8x. Still, relatively cheap.

Stock has continued to fall in a downward-sloped line from \$23 in Feb. to \$17 today. The Co. owns pawn shops and generates revenues from 1) lending out loans at a higher interest for pawn loans, or non-recourse collateralized loans. In the event the borrower doesn't repay their loan, EZPW has the right to sell the collateral i.e. musical instruments, gold ring, jewelry, etc. to the market. The Co. borrows money to take lend, so there is the interest spread typical of banks inherent in the business model, along with the gain from the sale of the collateral. The Co. has \$122MM in inventory, or collateral, for \$154MM in pawn loans, or a 80% implied collateral for the debt. If I was to get a \$100 loan, I would give them a \$80 watch, thereby providing a bad loan provision floor at 20% loss. However, even the collateral can devalue, as witnessed by the gold prices plummeting over the past year, and along with it, the downside protection for the Co.

2) The Co. also provides consumer loans, which aren't collateralized, non-recourse loans. They seem like loans that are backed by the individual's paycheck. We are aware they charge about 20%, so imagine making \$1000 in paycheck, and only collecting \$800, with the \$200 going to the Co. The Co. charges 15-22% of the loan amount for a 7 to 23 day period.

3) Fees associated with the pawn and loans.

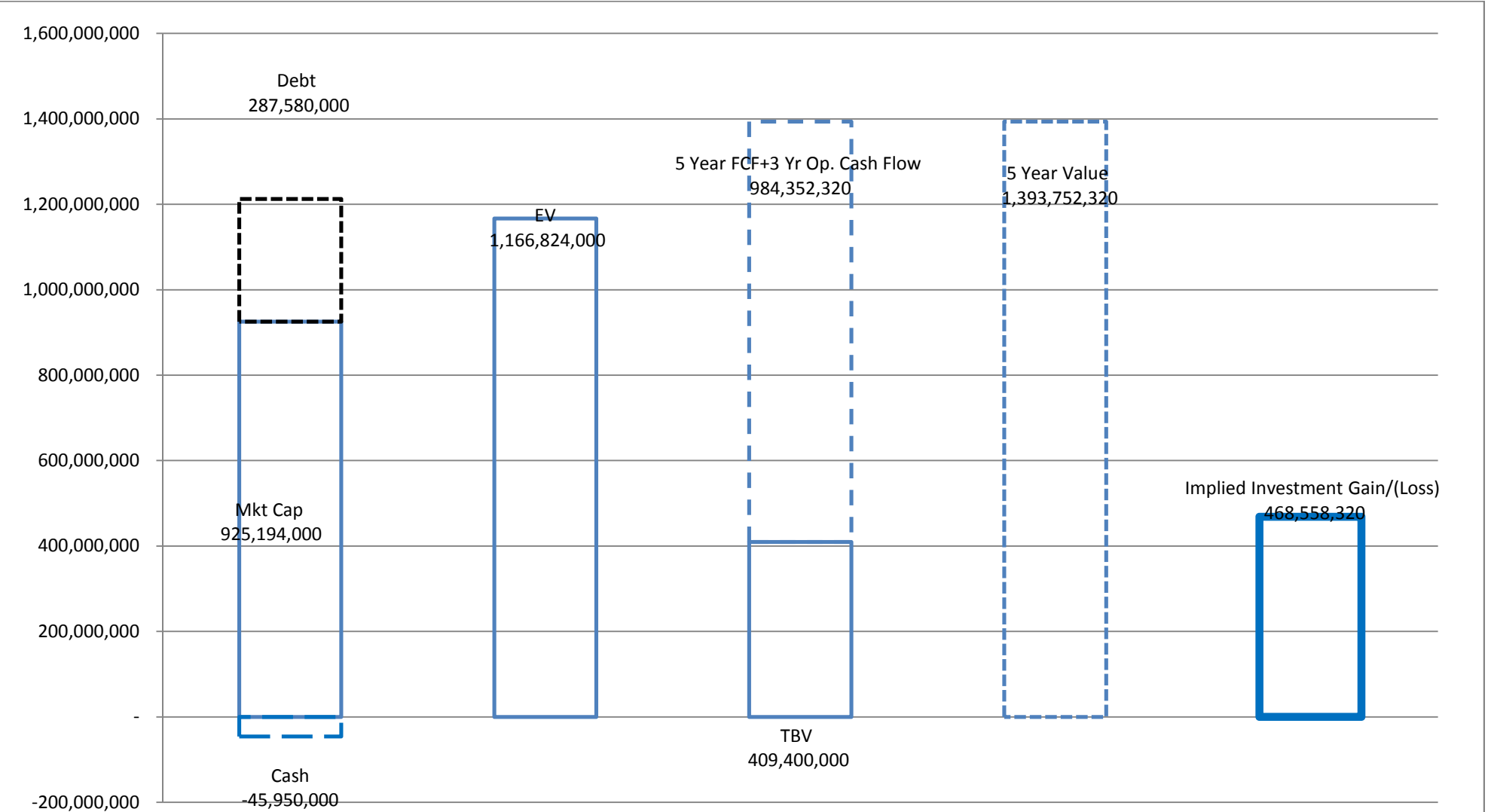
Interestingly, the business is categorized under retail stores, for specialty items. We think this business should be a financial institution, but since it's not a deposit receiving business, there would be no need for the FDIC to meddle in their business. However, for the sake of valuation, we will include in the FIG tab, since the business model is essentially a FIG business.

Footprint is primarily US (Texas, Florida, Colorado), Canada and Mexico. 1260 locations. 470 pawn stores, 442 consumer loans. Typical loan is \$300. Average yield on a pawn loan is 180%!!

Assessment Downside protection, legalized usury loans, (12-22% for less than a month, or annualized 180%+ is definitely out of the 30% usury law), large foot print, \$100MM or 10% Price/Op. cash flow, 25% D/E. Net tangible book is \$510MM. Operating cash flow is about \$100MM, so we project a 5 year price of \$1.3BB, or a 44%, or 7.6% annualized return.

We love the business model. There is no stopping this business, which is recession proof. We will run similar reports for the other 2 large pawn companies. The stock was included in our FIG portfolio as well.

US Publicly traded Pawn Companies: Cash America International, EZCORP and First Cash Financial



SN VALUATION

LBO Pro Forma Income Statement

Name:

EZCORP

Ticker:

EZPW

| | Historical | | | | Forecasted | | | | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------|---------|---------|---------|---------|
| | 12 months ending 2009-09-30 | 12 months ending 2010-09-30 | 12 months ending 2011-09-30 | 12 months ending 2012-09-30 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Revenue | 597.45 | 733.04 | 869.32 | 992.46 | 992.46 | 992.46 | 992.46 | 992.46 | 992.46 |
| COGS | 237.52 | 285.57 | 334.38 | 368.24 | 396.98 | 396.98 | 396.98 | 396.98 | 396.98 |
| Gross margin | 359.93 | 447.47 | 534.94 | 624.22 | 595.48 | 595.48 | 595.48 | 595.48 | 595.48 |
| SG&A | 40.50 | 52.74 | 75.27 | 94.03 | 99.25 | 99.25 | 99.25 | 99.25 | 99.25 |
| R&D | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Unusual expense | -1.02 | 1.53 | 0.31 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other operating expense | 206.24 | 236.66 | 267.05 | 303.49 | 317.59 | 317.59 | 317.59 | 317.59 | 317.59 |
| Depreciation is: Excluded from COGS | | | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Operating Income (EBITA) | 114.21 | 156.54 | 192.31 | 226.70 | 178.64 | 178.64 | 178.64 | 178.64 | 178.64 |
| Interest income/(expense) | 3.87 | 9.55 | 14.59 | 18.95 | -28.22 | -28.22 | -28.22 | -28.22 | -28.22 |
| Gain (loss) on sale of asset | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other | -0.04 | 0.09 | 0.16 | 1.21 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Income before tax | 105.31 | 151.53 | 188.71 | 221.60 | 150.42 | 150.42 | 150.42 | 150.42 | 150.42 |
| Tax | 36.84 | 54.24 | 66.55 | 71.02 | 52.65 | 52.65 | 52.65 | 52.65 | 52.65 |
| Income after tax | 68.47 | 97.29 | 122.16 | 150.58 | 97.77 | 97.77 | 97.77 | 97.77 | 97.77 |
| Minority Interest | 0.00 | 0.00 | 0.00 | -6.87 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Equity in affiliates | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net income | 68.47 | 97.29 | 122.16 | 143.71 | 97.77 | 97.77 | 97.77 | 97.77 | 97.77 |
| *Figures are in millions (\$) | | | | | | | | | |
| EPS (based off today's share count) | \$1.26 | \$1.80 | \$2.25 | \$2.65 | \$1.80 | \$1.80 | \$1.80 | \$1.80 | \$1.80 |
| P/E (historical today's price; forecasted intrinsic price) | 13.51 | 9.51 | 7.57 | 6.44 | 10.08 | 10.73 | 11.43 | 12.17 | 12.96 |
| Revenue Growth | N/A | 22.69% | 18.59% | 14.17% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Tax Rate | 34.98% | 35.79% | 35.27% | 32.05% | 35.00% | 35.00% | 35.00% | 35.00% | 35.00% |
| Implied Debt Interest Rate | 11.06% | 38.20% | 83.37% | 6.89% | -11.15% | -11.15% | -11.15% | -11.15% | -11.15% |
| Margins | | | | | | | | | |
| COGS | 39.76% | 38.96% | 38.46% | 37.10% | 40.00% | 40.00% | 40.00% | 40.00% | 40.00% |
| Gross margin | 60.24% | 61.04% | 61.54% | 62.90% | 60.00% | 60.00% | 60.00% | 60.00% | 60.00% |
| SG&A | 6.78% | 7.19% | 8.66% | 9.47% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| R&D | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Unusual expense | -0.17% | 0.21% | 0.04% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Other operating expense | 34.52% | 32.28% | 30.72% | 30.58% | 32.00% | 32.00% | 32.00% | 32.00% | 32.00% |
| Depreciation is: Excluded from COGS | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Operating Income (EBITA) | 19.12% | 21.35% | 22.12% | 22.84% | 18.00% | 18.00% | 18.00% | 18.00% | 18.00% |
| Interest income/(expense) | 0.65% | 1.30% | 1.68% | 1.91% | -2.84% | -2.84% | -2.84% | -2.84% | -2.84% |
| Gain (loss) on sale of asset | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Other | -0.01% | 0.01% | 0.02% | 0.12% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Income before tax | 17.63% | 20.67% | 21.71% | 22.33% | 15.16% | 15.16% | 15.16% | 15.16% | 15.16% |
| Tax | 6.17% | 7.40% | 7.66% | 7.16% | 5.30% | 5.30% | 5.30% | 5.30% | 5.30% |
| Income after tax | 11.46% | 13.27% | 14.05% | 15.17% | 9.85% | 9.85% | 9.85% | 9.85% | 9.85% |
| Minority Interest | 0.00% | 0.00% | 0.00% | -0.69% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Equity in affiliates | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Net income | 11.46% | 13.27% | 14.05% | 14.48% | 9.85% | 9.85% | 9.85% | 9.85% | 9.85% |

| | As of 2009-09-30 | As of 2010-09-30 | As of 2011-09-30 | As of 2012-09-30 | As of 2013-06-30 | Adjustment | | Adjusted Proforma | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|------------------|------------------|------------------|------------------|------------------|-------------|-------------|-------------------|------------------|-----------------|-----------------|-----------------|-----------------|
| | | | | | | + | - | | | | | | |
| Cash | 44.76 | 25.85 | 23.97 | 48.48 | 45.95 | | | 45.95 | 122.99404 | 200.04 | 277.08 | 354.13 | 431.17 |
| Short term investment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash and Short term | 44.76 | 25.85 | 23.97 | 48.48 | 45.95 | | | 45.95 | 122.99 | 200.04 | 277.08 | 354.13 | 431.17 |
| Accounts Receivable | 24.32 | 29.06 | 33.23 | 59.82 | 60.00 | | | 60.00 | 60.00 | 60.00 | 60.00 | 60.00 | 60.00 |
| Other receivables | 0.00 | 0.00 | 0.00 | 0.00 | 200.00 | | | 200.00 | 200.00 | 200.00 | 200.00 | 200.00 | 200.00 |
| Total Receivables | 24.32 | 29.06 | 33.23 | 59.82 | 260.00 | | | 260.00 | 260.00 | 260.00 | 260.00 | 260.00 | 260.00 |
| Total Inventory | 64.00 | 71.50 | 90.37 | 109.21 | 122.50 | | | 122.50 | 122.50 | 122.50 | 122.50 | 122.50 | 122.50 |
| Prepaid Expenses | 16.93 | 17.43 | 30.61 | 45.45 | 37.38 | | | 37.38 | 37.38 | 37.38 | 37.38 | 37.38 | 37.38 |
| Other Current Assets | 15.67 | 23.21 | 18.12 | 16.13 | 18.85 | | | 18.85 | 18.85 | 18.85 | 18.85 | 18.85 | 18.85 |
| Current Assets | 165.68 | 167.05 | 196.30 | 279.09 | 484.68 | 0.00 | 0.00 | 484.68 | 561.72404 | 638.77 | 715.81 | 792.86 | 869.90 |
| PP&E, Gross | 152.61 | 176.22 | 207.39 | 280.17 | 281.00 | | | 281.00 | 327.00 | 373.00 | 419.00 | 465.00 | 511.00 |
| Change in Depreciation | 12.75 | 14.66 | 18.34 | 25.27 | 25.27 | | | 25.27 | 25.27 | 25.27 | 25.27 | 25.27 | 25.27 |
| Accumulated Depreciation | 101.45 | 113.93 | 128.89 | 169.86 | 170.00 | | | 170.00 | 195.27 | 220.54 | 245.81 | 271.08 | 296.35 |
| PP&E, Net | 51.16 | 62.29 | 78.50 | 110.31 | 111.00 | | | 111.00 | 131.73 | 152.46 | 173.19 | 193.92 | 214.65 |
| Goodwill | 100.72 | 117.31 | 173.21 | 374.66 | 426.00 | 0.00 | | 426.00 | 426.00 | 426.00 | 426.00 | 426.00 | 426.00 |
| Intangibles | 2.11 | 14.98 | 17.38 | 38.06 | 39.00 | | | 39.00 | 39.00 | 39.00 | 39.00 | 39.00 | 39.00 |
| Long term investments | 38.85 | 101.39 | 120.32 | 126.07 | 146.71 | | | 146.71 | 146.71 | 146.71 | 146.71 | 146.71 | 146.71 |
| Other long term assets | 22.30 | 8.27 | 10.81 | 27.69 | 31.02 | | | 31.02 | 31.02 | 31.02 | 31.02 | 31.02 | 31.02 |
| Long Term Assets | 215.14 | 304.24 | 400.22 | 676.79 | 753.73 | | | 753.73 | 774.46 | 795.19 | 815.92 | 836.65 | 857.38 |
| Total Assets | 380.82 | 471.29 | 596.52 | 955.88 | 1,238.41 | 0.00 | 0.00 | 1,238.41 | 1,336.18 | 1,433.96 | 1,531.73 | 1,629.51 | 1,727.28 |
| Accounts Payable | 6.54 | 9.13 | 9.95 | 0.00 | 10.00 | | | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| Accrued Expense | 26.69 | 39.70 | 43.07 | 0.00 | 43.00 | | | 43.00 | 43.00 | 43.00 | 43.00 | 43.00 | 43.00 |
| Other current Liabilities | 5.35 | 10.62 | 11.25 | 22.06 | 30.55 | | | 30.55 | 30.55 | 30.55 | 30.55 | 30.55 | 30.55 |
| Total Current Liabilities | 38.58 | 59.45 | 64.27 | 22.06 | 83.55 | 0.00 | 0.00 | 83.55 | 83.55 | 83.55 | 83.55 | 83.55 | 83.55 |
| Notes Payables/Short Term Debt | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Current port. Of LT Debt/Capital Leases | 10.00 | 10.00 | 0.00 | 21.68 | 34.06 | | | 34.06 | 34.06 | 34.06 | 34.06 | 34.06 | 34.06 |
| Long term Debt | 25.00 | 15.00 | 17.50 | 252.52 | 253.00 | 0.00 | 0.00 | 253.00 | 253.00 | 253.00 | 253.00 | 253.00 | 253.00 |
| Capital Lease Obligations | 0.00 | 0.00 | 0.00 | 0.99 | 0.52 | | | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 |
| Total Interest Earning Debt | 35.00 | 25.00 | 17.50 | 275.19 | 287.58 | 0.00 | 0.00 | 287.58 | 287.58 | 287.58 | 287.58 | 287.58 | 287.58 |
| Deferred Income tax | 0.00 | 0.00 | 8.33 | 7.92 | 8.95 | | | 8.95 | 8.95 | 8.95 | 8.95 | 8.95 | 8.95 |
| Minority Interest | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other liabilities | 3.25 | 2.52 | 2.10 | 13.90 | 34.62 | | | 34.62 | 34.62 | 34.62 | 34.62 | 34.62 | 34.62 |
| Total Liabilities | 76.83 | 86.97 | 92.20 | 319.07 | 414.70 | 0.00 | 0.00 | 414.70 | 414.70 | 414.70 | 414.70 | 414.70 | 414.70 |
| Redeemable Preferred Stock | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Non-redeemable Preferred Stock | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Common Stock | 0.49 | 0.49 | 0.50 | 0.51 | 0.51 | | 0.00 | 0.51 | 0.51 | 0.51 | 0.51 | 0.51 | 0.51 |
| Additional Paid-in capital | 217.18 | 225.37 | 242.40 | 268.63 | 269.00 | 0.00 | 0.00 | 269.00 | 269.00 | 269.00 | 269.00 | 269.00 | 269.00 |
| Dividends Paid | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Retained Earnings | 202.64 | 299.94 | 422.10 | 565.80 | 566.00 | | | 566.00 | 663.77 | 761.55 | 859.32 | 957.10 | 1,054.87 |
| Treasury Stock | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Equity | -4.62 | -6.38 | -0.75 | -0.11 | -0.11 | | 0.00 | -0.11 | -0.11 | -0.11 | -0.11 | -0.11 | -0.11 |
| Total Equity | 415.69 | 519.42 | 664.25 | 834.83 | 835.40 | 0.00 | 0.00 | 835.40 | 933.17 | 1,030.95 | 1,128.72 | 1,226.50 | 1,324.27 |
| Liability + Equity | 492.52 | 606.39 | 756.45 | 1,153.90 | 1,250.10 | 0.00 | 0.00 | 1,250.10 | 1,347.87 | 1,445.65 | 1,543.42 | 1,641.20 | 1,738.97 |
| Variance | -111.70 | -135.10 | -159.93 | -198.02 | -11.69 | | | -11.69 | -11.69 | -11.69 | -11.69 | -11.69 | -11.69 |
| Debt/Equity | 0.08 | 0.05 | 0.03 | 0.33 | 0.34 | | | 0.34 | 0.31 | 0.28 | 0.25 | 0.23 | 0.22 |
| Inventory Turnover | 9.34 | 10.25 | 9.62 | 9.09 | 8.10 | | | 8.10 | 8.10 | 8.10 | 8.10 | 8.10 | 8.10 |
| Inventory Turnover Days | 39.10 | 35.60 | 37.94 | 40.16 | 45.05 | | | 45.05 | 45.05 | 45.05 | 45.05 | 45.05 | 45.05 |
| Days Inventory Outstanding | 98.35 | 91.39 | 98.65 | 108.25 | 112.63 | | | 112.63 | 112.63 | 112.63 | 112.63 | 112.63 | 112.63 |
| Accounts Receivable Turnover | 24.57 | 25.23 | 26.16 | 16.59 | 16.54 | | | 3.82 | 3.82 | 3.82 | 3.82 | 3.82 | 3.82 |
| Accounts Receivable Turnover Days | 14.86 | 14.47 | 13.95 | 22.00 | 22.07 | | | 95.62 | 95.62 | 95.62 | 95.62 | 95.62 | 95.62 |
| Days Payable Outstanding | 10.05 | 11.67 | 10.86 | 0.00 | 9.19 | | | 9.91 | 9.19 | 9.19 | 9.19 | 9.19 | 9.19 |
| Days Sales Outstanding | 14.86 | 14.47 | 13.95 | 22.00 | 95.62 | | | 22.00 | 95.62 | 95.62 | 95.62 | 95.62 | 95.62 |
| Cash Conversion Cycle | 103.16 | 94.19 | 101.74 | 130.25 | 199.06 | | | 133.51 | 199.06 | 199.06 | 199.06 | 199.06 | 199.06 |
| Net tangible assets/share | \$5.77 | \$7.14 | \$8.74 | \$7.79 | \$6.83 | | | | \$8.64 | \$10.44 | \$12.25 | \$14.05 | \$15.85 |

| | 12 months ending 2009-09-30 | 12 months ending 2010-09-30 | 12 months ending 2011-09-30 | 12 months ending 2012-09-30 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Net Income | 68.47 | 97.29 | 122.16 | 150.58 | 97.77 | 97.77 | 97.77 | 97.77 | 97.77 |
| Depreciation | 12.75 | 14.66 | 18.34 | 25.27 | 25.27 | 25.27 | 25.27 | 25.27 | 25.27 |
| Net Income + Depreciation | 81.22 | 111.95 | 140.50 | 175.85 | 123.04 | 123.04 | 123.04 | 123.04 | 123.04 |
| Amortization | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Deferred Taxes | 2.49 | -1.29 | 13.66 | 2.76 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Non Cash Items | 4.89 | 5.02 | 9.14 | 5.54 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Change in Working capital | -7.99 | 9.04 | -17.31 | -33.70 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accounts Receivable | 0.00 | -4.74 | -4.17 | -26.59 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Receivables | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Inventory | 0.00 | -7.50 | -18.87 | -18.84 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Prepaid Expenses | 0.00 | -0.50 | -13.18 | -14.84 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accounts Payable | 0.00 | 2.59 | 0.82 | -9.95 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash from Operating Activities | 80.61 | 124.72 | 145.99 | 150.45 | 123.04 | 123.04 | 123.04 | 123.04 | 123.04 |
| Capital Expenditures Expenditures | -19.26 | -25.74 | -34.12 | -45.80 | -46.00 | -46.00 | -46.00 | -46.00 | -46.00 |
| Long term investment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Investing Activities | -53.76 | -111.36 | -99.84 | -165.41 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash from Investing Activities | -73.02 | -137.10 | -133.96 | -211.21 | -46.00 | -46.00 | -46.00 | -46.00 | -46.00 |
| Financing Cash flow items | 0.17 | 1.86 | -6.65 | -8.29 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Cash Dividends Paid | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Issuance (Retirement) of Stock | 4.94 | 1.60 | 0.40 | 0.65 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Issuance (Retirement) of Current Portion Debt | - | - | - | - | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Issuance (Retirement) of Long Term Debt | 4.62 | -10.00 | -7.50 | 91.81 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash from Financing Activities | 9.73 | -6.54 | -13.75 | 84.17 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Foreign Exchange effect | 0.00 | 0.00 | -0.16 | 1.09 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Beginning Cash Balance | 27.44 | 44.76 | 25.85 | 23.97 | 45.95 | 122.99 | 200.04 | 277.08 | 354.13 |
| Net Change in Cash | 17.32 | -18.91 | -1.89 | 24.51 | 77.04 | 77.04 | 77.04 | 77.04 | 77.04 |
| Ending Cash Balance | 44.76 | 25.85 | 23.96 | 48.48 | 122.99 | 200.04 | 277.08 | 354.13 | 431.17 |
| Capex to Revenue | 3.22% | 3.51% | 3.92% | 4.61% | 4.63% | 4.63% | 4.63% | 4.63% | 4.63% |
| Depreciation to Sales | 2.13% | 2.00% | 2.11% | 2.55% | 2.55% | 2.55% | 2.55% | 2.55% | 2.55% |
| Amortization to Sales | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| A/R to Sales | 4.07% | 3.96% | 3.82% | 6.03% | 6.03% | 6.03% | 6.03% | 6.03% | 6.03% |
| Distributable FCF/EV Yield | 0.65% | -1.06% | 1.03% | -5.21% | 6.60% | 6.60% | 6.60% | 6.60% | 6.60% |
| Dividend Yield | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| FCF (Ops-Investing) | 61.35 | 98.98 | 111.87 | 104.65 | 77.04 | 77.04 | 77.04 | 77.04 | 77.04 |

SN VALUATION

LBO Debt Schedule

Ticker:

EZPW

| | Proforma | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Net Change in Cash | 24.51 | 77.04 | 77.04 | 77.04 | 77.04 | 77.04 |
| Current Portion Debt Repayment | | | | | | |
| Long Term Debt Repayment | | | | | | |
| Outstanding Debt | 287.06 | 287.06 | 287.06 | 287.06 | 287.06 | 287.06 |
| Current Portion Debt Balance | 34.06 | 34.06 | 34.06 | 34.06 | 34.06 | 34.06 |
| Long Term Debt Balance | 253.00 | 253.00 | 253.00 | 253.00 | 253.00 | 253.00 |
| Forward Libor Curve | | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Spread | | 7.00% | 7.00% | 7.00% | 7.00% | 7.00% |
| Interest Rate | | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Interest Expense | | 28.71 | 28.71 | 28.71 | 28.71 | 28.71 |
| Cash Balance | | 48.48 | | | | |
| Interest @ 1.0% | | 0.48 | 0.48 | 0.48 | 0.48 | 0.48 |
| Net Interest Expense/(Income) | | 28.22 | 28.22 | 28.22 | 28.22 | 28.22 |
| Net Interest Rate | | 11.15% | 11.15% | 11.15% | 11.15% | 11.15% |
| EBITDA | | 178.64 | 178.64 | 178.64 | 178.64 | 178.64 |
| EBITDA/Interest Expense Coverage | | 6.22 | 6.22 | 6.22 | 6.22 | 6.22 |

Interest Rate Coverage Table

| Debt Rating | | | | | |
|-------------|---|---|---|---|---|
| AAA | | | | | |
| AA | | | | | |
| A+ | | | | | |
| A | A | A | A | A | A |
| A- | | | | | |
| BBB | | | | | |
| BB+ | | | | | |
| BB | | | | | |
| B+ | | | | | |
| B | | | | | |
| B- | | | | | |
| CCC | | | | | |
| CC | | | | | |
| C | | | | | |
| D | | | | | |

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

EZCORP

Ticker:

EZPW

| Period | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Working Capital | 127.10 | 107.60 | 132.03 | 401.13 | 478.17 | 555.22 | 632.26 | 709.31 | 786.35 |
| Total Assets | 380.82 | 471.29 | 596.52 | 1,238.41 | 1,336.18 | 1,433.96 | 1,531.73 | 1,629.51 | 1,727.28 |
| X1 | 0.33 | 0.23 | 0.22 | 0.32 | 0.36 | 0.39 | 0.41 | 0.44 | 0.46 |
| Retained Earnings | 202.64 | 299.94 | 422.10 | 566.00 | 663.77 | 761.55 | 859.32 | 957.10 | 1,054.87 |
| Total Assets | 380.82 | 471.29 | 596.52 | 1,238.41 | 1,336.18 | 1,433.96 | 1,531.73 | 1,629.51 | 1,727.28 |
| X2 | 0.53 | 0.64 | 0.71 | 0.46 | 0.50 | 0.53 | 0.56 | 0.59 | 0.61 |
| EBITDA | 114.21 | 156.54 | 192.31 | 226.70 | 178.64 | 178.64 | 178.64 | 178.64 | 178.64 |
| Total Assets | 380.82 | 471.29 | 596.52 | 1,238.41 | 1,336.18 | 1,433.96 | 1,531.73 | 1,629.51 | 1,727.28 |
| X3 | 0.30 | 0.33 | 0.32 | 0.18 | 0.13 | 0.12 | 0.12 | 0.11 | 0.10 |
| Market Value of Equity | 925.19 | 925.19 | 925.19 | 925.19 | 985.30 | 1,049.31 | 1,117.49 | 1,190.09 | 1,267.40 |
| Total Liabilities | 76.83 | 86.97 | 92.20 | 414.70 | 414.70 | 414.70 | 414.70 | 414.70 | 414.70 |
| X4 | 12.04 | 10.64 | 10.03 | 2.23 | 2.38 | 2.53 | 2.69 | 2.87 | 3.06 |
| Net Sales | 597.45 | 733.04 | 869.32 | 992.46 | 992.46 | 992.46 | 992.46 | 992.46 | 992.46 |
| Total Assets | 380.82 | 471.29 | 596.52 | 1,238.41 | 1,336.18 | 1,433.96 | 1,531.73 | 1,629.51 | 1,727.28 |
| X5 | 1.57 | 1.56 | 1.46 | 0.80 | 0.74 | 0.69 | 0.65 | 0.61 | 0.57 |
| Altman Z Score | 10.93 | 10.20 | 9.80 | 3.77 | 3.73 | 3.83 | 3.93 | 4.04 | 4.15 |

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red

| Year | Present Value | Holding Period | | | | | Terminal Value | | | Sale Price |
|------------------------------------|---------------|----------------|-----------------|-----------------|-----------------|-----------------|----------------|--------------|--------------|-----------------------------|
| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | TBV at Year 5 + 3 Years FCF |
| Tangible Book Value | 409.40 | 507.17 | 604.95 | 702.72 | 800.50 | 898.27 | | | | 898.27 |
| Annual Change | | 97.77 | 97.77 | 97.77 | 97.77 | 97.77 | | | | |
| Annual FCF | 104.65 | 77.04 | 77.04 | 77.04 | 77.04 | 77.04 | 77.04 | 77.04 | 77.04 | 231.13 |
| Annual Op. Cash Flow | 150.45 | 123.04 | 123.04 | 123.04 | 123.04 | 123.04 | 123.04 | 123.04 | 123.04 | |
| Annual PP&E Investment | (45.80) | (46.00) | (46.00) | (46.00) | (46.00) | (46.00) | (46.00) | (46.00) | (46.00) | |
| Today's Tangible Book Value | 409.40 | 479.07 | 560.60 | 656.00 | 767.64 | 898.27 | | | | 1,129.40 |
| Intrinsic Value IRR | 17.02% | | | | | | | | | |
| Market Price | 925.19 | 962.84 | 1,002.03 | 1,042.80 | 1,085.24 | 1,129.40 | | | | 1,129.40 |
| Market Price IRR | 4.07% | | | | | | | | | |

| | | |
|--------------|----------------|---------------|
| Debt | 50.00% | 462.60 |
| Equity | 50.00% | 462.60 |
| Total | 100.00% | 925.19 |

| | Present Value | Holding Period | | | | | Terminal Value | | | Sale Price | |
|---|---------------|----------------|---------------|---------------|---------------|---------------|----------------|--------------|--------------|--------------|---------------|
| | Historic | ProForma | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | |
| Book Equity | 835.4 | 462.60 | 532.20 | 601.81 | 671.41 | 741.01 | 810.62 | | | | |
| Goodwill | 426 | 515.79 | 515.79 | 515.79 | 515.79 | 515.79 | 515.79 | | | | |
| Debt | 253 | 715.60 | 715.60 | 715.60 | 715.60 | 715.60 | 715.60 | | | | |
| Debt Interest Rate | | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | | | | |
| Additional Interest Expense | | 43.34 | 43.34 | 43.34 | 43.34 | 43.34 | | | | | |
| Tangible Book Value | 409.4 | -53.20 | 16.41 | 86.01 | 155.62 | 225.22 | 294.82 | | | | 294.82 |
| Annual Change | | | 69.60 | 69.60 | 69.60 | 69.60 | 69.60 | | | | |
| Annual FCF | 104.65 | 48.87 | 48.87 | 48.87 | 48.87 | 48.87 | 48.87 | 48.87 | 48.87 | 48.87 | 146.62 |
| Annual Net Income | 143.71 | | 69.60 | 69.60 | 69.60 | 69.60 | 69.60 | 69.60 | 69.60 | 69.60 | |
| Annual Op. Cash Flow | 150.45 | 94.87 | 94.87 | 94.87 | 94.87 | 94.87 | 94.87 | 94.87 | 94.87 | 94.87 | |
| Dividend Payments | | | | | | | | | | | |
| Annual PP&E Investment | (45.80) | | (46.00) | (46.00) | (46.00) | (46.00) | (46.00) | (46.00) | (46.00) | (46.00) | |
| Debt Paydown | 0.00 | | | | | | 0.00 | 0.00 | 0.00 | | |
| Sale Price in Year 5 | | | | | | | | | | | 441.45 |
| Capital Left for Equity Investor | | | | | | | | | | | 441.45 |
| Dividend Payments | | | | | | | | | | | 0.00 |
| Total Cash In Flow | | | | | | | | | | | 441.45 |
| Invested Equity | 462.60 | 458.29 | 454.02 | 449.79 | 445.60 | 441.45 | | | | | |
| IRR | -0.93% | | | | | | | | | | |

We assume the debt taken on by the investor is now on the Co's books, so the investor has no more liability from the deal.

| <u>Value Creation</u> | |
|--|---------------|
| TBV Growth (equals sum of NI Year 1-5) | 348.02 |
| Cash Flow (Year 6-8) | 146.62 |
| | 494.64 |

| <u>Value Dilution</u> | |
|-----------------------|---------------|
| Debt | 462.60 |
| Goodwill | 89.79 |
| Additional Interest | 216.69 |
| | 769.08 |