



EZCORP (EZPW) Pops On Stellar Q1 Results

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Rising demand for pawn loans and used, recycled goods keeps EZCORP (EZPW) outpacing Street expectations and points to continued strong operating and cash flow performance ahead.

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EZCORP (EZPW) keeps on blowing away expectations. Indeed, fiscal 2024 Q1 revenues rose 13.5% year-over-year to a record \$300.0 million and exceeded the consensus forecast by \$3.9 million (or 1%) as a 15.9% jump in the level of pawn loans outstanding (PLO) compared to Q1 of fiscal 2023 drove a 15.0% increase in pawn service charges (PSC) to \$106.4 million and the company saw merchandise and jewelry scrapping sales gain 9.5% and 78.6% to \$179.4 million and \$14.1 million, respectively. Furthermore, with gross margins on this sold merchandise of 36% remaining within its targeted 35-38% range thanks to EZPW's successful efforts to keep low-value aged inventory limited to just 1.3% of the total, adjusted earnings climbed 28.6% to 36 cents per share, which surpassed the 28 cents analysts had been projecting by a much wider margin of 28%. And to top it all off, this strong performance drove the production of a whopping \$21.5 million in cash flow from its operations, marking a near doubling from the \$11.7 million generated in the prior-year period.

What's more, with the challenging macro-economic backdrop keeping demand for pawn from customers looking to satisfy their short-term cash needs elevated, EZPW ended the quarter with its PLO balance within 1% of its all-time high from three months earlier at \$243.3 million. Moreover, the company added 6 more stores in Q1. One of these was acquired in Texas, while the three new ones it opened in Guatemala and two in Mexico helped it further expand its presence in the Latin American market. That also continues to bode well for EZPW's points-based EZ+ Rewards program, which is designed to incentivize customers to transact more, continues to grow across all of its regions, and saw its number of enrolled customers rise by a further 10.5% over the previous quarter to 4.2 million. If this leads to continued strong operating and cash flow performance in the periods ahead as I expect, today's strong bounce could be just the beginning of the much more significant and sustained move higher I think its stock is deserving of.